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U.S. DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
ADDRESSES, STATEMENTS AND REMARKS
BY THE SECRETARY
EARL L. BUTZ

1975

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"STABILITY IN AGRICULTURAL LABOR RELATIONS"

From the beginning days of America, agriculture has not been a large employer of hired labor.

Until the first couple of decades in this century, U. S. agriculture was an industry of very small family farms. Outside labor was not generally hired. The family did its own work. Occasions which called for help often were taken care of through cooperative efforts of neighbors. As the farm economy grew larger and methods more sophisticated, the need for hired labor grew, but so also did our farm technology. That technology produced machinery and techniques which eased the burden for man and reduced the labor intensity of farming.

In much of the country today, the farm family still supplies the great bulk of the labor requirement, perhaps supplemented with one hired man or just a small amount of seasonal hired labor. This is typical of the great agricultural area in the Midwest, in New England, and in much of the South.

On the other hand, there are important geographic areas where agricultural labor is hired in substantial numbers, both year-around and seasonally. This is especially true in California, Florida and in some areas of intensive vegetable production in the East.

Address by Secretary of Agriculture Earl L. Butz before the National Council of Agricultural Employers, Washington, D. C., January 14, 1975, 11:00 A.M.

In the West there are more than four times the number of farm wage-workers per farm as there are in the Midwest, and three-and-one-half times more than in the South. In California, where vast amounts of fruits and vegetables are grown, hired workers make up 77 percent of total farm employment, which includes farm family labor. In Florida, a situation similar to California, hired workers are 69 percent of total farm employment. But in my home State of Indiana, that ratio of hired workers to total farm employment is reduced to a meager nine percent.

Thus, while change has transformed our entire agricultural economy, several commodities are harvested in much the same way as they were in the day of our grandfathers. Many fruits and vegetables cannot be farmed in any other manner than through the use of intensive hired labor.

The last decade or so has been a turbulent one in terms of relationships between some farm workers and their employers. We are all familiar, in a general way, with the violence which has erupted in the farm labor field in California, Arizona and to a lesser extent in some of the Southeastern areas of the United States.

At times the situation in California has approached a state of labor anarchy. Matters have often grown so out of control that sheriff's patrols frequented the area. Armed guards were hired to protect the packing sheds as well as the vineyards and orchards. Drivers rode shotgun on harvesting machines, reminiscent of frontier days when cruder forms of social protection existed. Automobiles were damaged. Warehouses were burned down. And, most tragically, fatalities have even occurred.

Closely associated with physical threats has been the widespread use of the secondary boycott where economic injury was inflicted on an innocent supermarket in Cleveland, for example, to bring a California grower to his knees.

Workers have been harangued by the speakers on both sides, sometimes with truths; sometimes with half-truths; and sometimes with sheer untruths. There have been inadequate or no provisions for voluntary elections for the workers to determine the kind of union representation they wanted, if indeed they wanted any. There has been severe competition among rival unions. There have been lockouts at processing and distributing plants. There have been strikes. There have been worker walkouts at the very time when there were perishable products that had to be moved within a week, or a year's labor and capital investment were lost. There has been, at times, destruction of valuable food when the American people cried out for relief from food shortages and food prices.

Farmers have found it difficult enough to explain the rising cost of food due to circumstances beyond their control. It would be intolerable to further burden the consumer with the high costs of labor strife. Settling disputes now could go far toward making the marketplace a more beneficial area for both producer and consumer.

There must be a better way to resolve these differences than through the divisive paths of charge and counter-charge, acrimonious statements, secondary boycotts and violent confrontation.

Agricultural labor relations have traditionally constituted a kind of no-man's land in the general field of labor relations. Farm workers have been specifically exempted from the Wagner Labor Relations Act, the Taft-Hartley Act and from supervision by the National Labor Relations Board. Farm organizations, in the main, have historically resisted efforts to bring farm labor under the purview of the NLRB. Indeed, some of the groups attempting to organize farm workers have likewise resisted proposals that farm labor come under the Board's supervision.

Attempts have been made in California and Arizona especially to set up special farm labor legislation that would fall somewhere between the present exemption and complete supervision by the National Labor Relations Board. These attempts have failed, whether they were made in State legislatures or through voter referenda. Proposals have also been advanced for Federal legislation which would fall somewhere between the present status of no regulation and the nonfarm labor situation of full supervision by the NLRB. These, too, have been unsuccessful.

From a practical point of view, the only farm labor legislation that has a chance of becoming a reality at the Federal level--and especially with the new Congress--will be substantial modification of the farm labor exemption under the National Labor Relations Act.

My personal position is to opt for a situation which would give farm-workers basic rights such as free representational elections, bargaining for contracts, and protection from certain unfair practices. These steps, however, should be taken only if the unique characteristics of the agricultural setting are acknowledged.

With farming, we are dealing with an industry where seasonal aspects are paramount. For example, harvesttime strikes would be crippling, destructive and detrimental to all parties. In the case of a fruit such as cantaloupe, there might be no more than three days in which these highly perishable melons might be harvested. Striking for a four-day period at that very time could result in the total loss of a farmer's entire investment for a year. No person and no purpose would be served by such action.

Just as the farmer would lose his year's investment and hard work, the housewife who likes to serve cantaloupe on her breakfast table would also be denied her choice in the market. For her, too, there could be a wait of one year before she can enjoy cantaloupes again. So the strike penalizes the farmer, the consumer, and by extension, the entire local economy.

Other commodities face similar problems of perishability. Grapes generally should be harvested with a 7-10 day span. In extreme heat, peaches may not have more than a few days grace period for harvesting. Tomatoes, strawberries, plums and dozens of other fruits and vegetables could be imperiled by counterproductive strikes.

This is not like, say, the steel industry where sheet metal can be stockpiled in anticipation of a walkout. Nor is it like a manufacturing concern where after a strike, overtime and extra production can make up for losses. For a farmer, one week in July can mean the difference between survival or disaster. For the consumer, if the product is lost, it can't be made up by overtime production later. Higher food prices will be the inevitable consequence.

This, then, is where we can learn from prior experience. There has been a recent trend in labor-management contracts toward dealing with the destructiveness of strikes. In a number of industries, arbitration has been agreed to in advance where settlements are not possible and strikes are imminent. The same rational thinking can be brought to bear in the case of highly seasonal and extremely labor intensive commodities.

Moreover, I would opt for maintaining an exemption for family farms and small farm operators who use very little hired labor. One way is to exempt from legislation the employees of employers engaged in agriculture who use 500 man days or less of agricultural labor in the peak quarter of the preceding calendar year. This would mean that very few farms of farmers would come under regulation, even in those parts of the country where resistance to farm labor legislation has been traditional.

Taking this approach will bring rights to both farmers and farm laborers. Vicious secondary boycotts would be outlawed. It would, in my judgment, represent a conciliating and compromising stride in our entire farm economy. I believe we can take advantage of our nearly four decades of experience under the Wagner Act without subjecting farmers to the rigidity of a law developed for non-farm labor. It will take hard work, but that is something we in agriculture have never shirked.

I take this position because I have seen firsthand the violence associated with attempts to organize farm workers in California among both employers and employees. I've seen intimidation practiced on both employers and employees. I've seen the ill feelings and harmful results clear across the nation resulting from the secondary boycott. I've seen important sectors of American agriculture suffer substantial market deterioration because of campaigns against a particular commodity. I've seen specific organizations, religious organizations and social action organizations generate real hatred for classes of our people because of their involvement in a labor movement thousands of miles removed from where they lived. I've seen real fear on the faces of employers and employees alike.

I am convinced that there must be a better way to resolve these disputes than that which we now follow. I am convinced that no longer can we run the risk of destroying growing crops or of keeping mature crops of a perishable product from reaching consumers, both in this country and abroad. At a time when our crying need is for more food at more economical prices, America can no longer tolerate this kind of senseless strife in our basic food industries.

Therefore, I personally believe that the time is here when we must give serious consideration to modifying the blanket exemption for farm labor currently existing in the National Labor Relations Act. The National Labor Relations Board has evolved mechanisms for settling labor disputes in a reasonably amicable manner. While not perfect, the NLRB has developed a mechanism for reducing, if not eliminating, the kind of strife that has characterized farm labor relations in the last decade.

We are in a period of relative food shortages both in this country and around the world. The big challenge we face in the next decade or two is to increase our total food production at least as rapidly as the population explosion continues. To do this we must strive to increase efficiency, to reduce waste, and above all, never again to destroy food or let it spoil in the field or in the factory because of unnecessary labor strife.

It is clear that costs of producing, harvesting, and processing foods is increased by the kind of anarchy we have witnessed in the field of farm-labor relations. This is a "luxury" which we don't need one day longer. Indeed, the time when it should have been eliminated is long past.

U.S. DEPT. OF AGRICULTURE
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"HOW PERMANENT IS OUR EXPORT MARKET?"

Wheat is one of our principal export commodities. In the last three years we have exported nearly two-thirds of our wheat production and still the call comes for more.

Two questions are asked as farmers clean their grain drills and wait for spring. How large is the export demand for wheat, and how long will it last?

The answers affect all of us -- whether we buy and sell grain, bake bread, feed livestock, or just enjoy "Wheaties" for breakfast.

In Fiscal 1972-73, our wheat exports totaled 1.19 billion bushels. This was an all-time record, achieved only because we were able to move forth a substantial carryover from previous years and put it into trade.

For Fiscal 1973-74, preliminary tallies show total wheat exports at 1.15 billion bushels, down slightly in volume from the previous Fiscal year, but up in total dollar sales. This was due to higher prices per bushel. Had we produced even more wheat we could have exported it at a fairly decent price.

In Fiscal 1974-75, where we find ourselves now, dollar exports of wheat will be at a record level. Volume will be down some from the last two years, primarily because we don't have the extra wheat to ship. If we did, the market would apparently absorb a substantially greater volume at reasonable prices.

Address by Secretary of Agriculture Earl L. Butz before the National Association of Wheat Growers, Hilton Inn, Amarillo, Texas, January 15, 1975, at 6:00 p.m.

Looking into the next marketing year, people ask whether this new larger demand for wheat is permanent.

No one but a Gypsy with a crystal ball could answer that one, and she might hedge her answers a bit.

The market itself almost completely discounts the possibility of any major price deterioration within the next year. The futures market now prices 1975-crop wheat at harvesttime within about 30 cents of current cash prices. Anybody who thinks the price is likely to be lower at that time can place a hedge and lock in his profits now. All it takes is a simple phone call.

It's significant that the current spread between cash wheat prices and futures prices remains relatively narrow in spite of the fact that we have experienced a 6 percent increase in plantings of winter wheat for 1975.

There is also every indication that spring wheat acreage will likewise exceed last year's totals -- and yet, the market holds fairly well.

This means that people in the know, especially those who put their money on the barrelhead, foresee a continuing strong market for wheat both here and around the world for at least the next 18 months. Indeed, the prospects of a low carryout of wheat at the end of this crop year, as well as at the end of the next crop year, are such that one would be reasonably safe to extend the projection of strong wheat prices through the next two-and-a-half years.

That's about as far as we can safely project, based on information available at present. All of this, of course, assumes no severe worldwide depression, and at the least, a continuation of our progress toward international peace and growing world trade. Viewed objectively, there's little reason to think that these criteria won't be met.

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With the passage of the Trade Act by Congress, and the forthcoming multi-national trade negotiations in Geneva, there is every hope that the channels for commercial trade will be strengthened even further. This holds particularly true for food products. There's just no getting around the fact that as living conditions improve in country after country, people want more and better food. That's basic human nature. The markets for quality wheat products should continue to grow.

The question of who's going to provide that wheat is also crucial.

Will competition from other wheat growing areas of the world increase to the point that the United States will find its markets threatened?

A large number of growers live with a disquieting fear that the present "sellers" market for wheat may suddenly one day disappear. They worry that large supplies of wheat may mount, glutting marketing channels and forcing prices well below production costs.

This is a natural fear -- and a legitimate one. Many growers have an unsettling memory of \$1.30 wheat only four years ago. Memories of this kind are more than a passing fantasy.

As production costs escalate, a wheat producer finds himself in a financially exposed position. He puts cash on the barrelhead for production expenses, and that makes it absolutely proper to take a cold hard look at potential markets and potential competition -- both here and abroad. The thought of \$1.30 wheat coupled with today's production costs sends chills up any farmer's back. It gives me the goose bumps and I don't even own any wheat.

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There's no question that today's strong wheat prices are going to draw forth more production, in other countries and in our own as well. We'll probably see some land in the South this year move out of cotton and into wheat. There will be more double-cropping of wheat and soybeans wherever that is possible.

This is natural; it is the way the marketplace works. Price helps determine levels of supply and demand. It is the mechanism that links buyer and seller.

It is vitally important to let this market system work freely, unhampered by any heavy-handed Government attempts to control it. There is no way I, or any other government official, can make your particular planting and marketing decisions as well as you can. You know your particular climatic, family, or financial situation better than anyone else on earth.

Government can help provide you with marketing information and the marketing channels you need, but the final management decisions have to be your own. Government can help assure the existence of a strong and healthy infra-structure to efficiently implement your marketing decisions, but those individual decisions have to be yours alone.

The United States is by far and away the world's most efficient producer of food grains, even considering the high levels of current production costs. Your individual farm management is what makes it this way.

As long as we maintain management freedom, the United States will remain competitive in agriculture. This means keeping the markets we already have and also working to gain some new ones.

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Our climate, our soils, our technology and our efficient utilization of production inputs is such that we will always be the world's major supplier of both food grains and feed grains. But, there are two important things we need to watch as we strive to remain competitive.

First, individual farm management freedom; I've already mentioned that.

Second, we have to make sure that export markets remain open and available to us on a competitive basis. This is equally important.

There have been strong pressures for export controls on both food grains and feed grains in recent years. As I'm sure you remember, the Government actually imposed an export embargo on soybeans in the summer of 1973. In retrospect this was a mistake. Yet, consumer pressures to take that action -- in hopes of blunting the rise in food costs -- took on political expression in Washington and became so insistent that the export embargoes were put in place.

Those restrictions caused repercussions that no one ever anticipated. Shock waves hit our shores from sources around the world. Ambassadors came to our offices; Prime Ministers came to Washington. This action threatened the very lifeline of nations dependent on us for food supplies.

Our reputation as a reliable supplier of foodstuffs suffered a blow that will hurt for years. Our goal of having a prosperous and efficient agriculture that could run at full capacity, supplying food to American consumers at lowest possible cost, was shaken.

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In retrospect, this action taught us that we should never do anything like that again. We learned our lesson for the short-run. The difficulty is that lessons like this must be relearned every generation.

Even now voices arise to curtail exports of food grains and feed grains. This is another ill-founded effort to slow rising food costs.

Such a move would be a great mistake, both for producers and for consumers.

American agriculture needs a healthy and dependable export market if we are to pursue a policy of full production on our farms. We simply must export two-thirds of our wheat, half of our soybeans, 25 percent of our feed grains, 40 percent of our cotton, and a large chunk of our fruits and vegetables.

In the absence of a dependable export market -- which we can hold only by being a dependable supplier -- we would be forced to push our agriculture back into a program of curtailment, of cutback, of quotas, of allotments.

You know what that means. A strip of alfalfa, a patch of barley, a dab of wheat, and maybe a bunch of summerfallow on the ground that could be raising a good wheat crop.

It was under this type of bankrupt philosophy that American agriculture was forced to operate for some 40 years, except during short wartime intervals. It never brought prosperity to our farmers. It never brought affluence to rural America. It never brought genuine food economy to American consumers.

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The American agricultural plant cannot operate efficiently, at low unit cost of production, unless it operates at optimum capacity. We cannot do this without continuing to have a dependable export policy. Nowhere is this truer than in the case of wheat. We exported over \$4.7 billion worth of wheat and wheat products last year. This translated directly into money to farmers.

That extra spending power didn't stop at the farm. It went to machinery dealers, to bankers, to car dealers; to barbershops, beauty parlors, dentists, doctors and drugstores. That's what farm exports mean: extra cash spent and respent; multiplied as it travels through our economy, increasing the earning power of all of us.

In Fiscal 1973-74, the United States exported \$21.3 billion worth of farm goods. This was our single most important source of foreign exchange. Over 22 percent of that added revenue came from the sale of wheat.

The world needs your wheat. It will need it even more in years ahead.

Our economy needs the economic strength that the export sales of wheat can bring. That's vividly illustrated by the higher prices of oil and almost all other imported goods our country demands.

As important as agricultural exports are to our economy, they have an even greater importance. Our food exports serve as a vital cornerstone of our quest for world peace. The ability of this nation's farmers to produce an abundance of food adds immeasurably to world stability.

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Food is a universal language. It leaps over boundaries and surmounts philosophical hurdles. It plays a key role in the easing of tensions between the Western world and the Soviet Union. It helps us open communications and trade with the Peoples Republic of China.

Our ability to serve as a reliable supplier of food is a universal solvent that helps wash away the seeds of discontent in many nations.

This becomes increasingly important as the world becomes more crowded. Relationships between nations will sometimes be strained as the load on resources grows heavier. Friendships will be tested and trading alliances may shift. The productivity of a free and dynamic agriculture will give America the strength and courage she needs to exist in such a world.

The question is not whether the increased demand for grains will last, but how can we keep up with the growth that will surely come in the next decade and beyond. That is the challenge.

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Advance for Release at 6:30 P.M. EST, Wednesday, Jan. 15, 1975

USDA 100-75



"A POSITIVE FOOD POLICY"

During the past two years food and national food policy have frequently been on the front burner. Headlines like these have dominated the news.

"Food prices are too high."

"There's not enough food."

"We're holding acres out of production."

"The Department of Agriculture is paying to destroy food."

"Farmers are being paid not to produce."

"Exports are running too high."

"Foreign giveaways jack up domestic prices."

"We can't afford to eat."

"Eat one less hamburger per week."

"The Administration has a bankrupt food policy."

"The Administration has a bad food policy."

"The Administration has no food policy."

The plain truth is that this Administration has a definite and a very positive food policy.

It just doesn't happen to be the food policy of its critics. In many respects it is the exact opposite of the food policy pursued through the previous four decades in this country.

Address by Secretary of Agriculture Earl L. Butz before the Southeastern Poultry Association, Atlanta, Georgia, January 27, 1975 at 2:45 p.m.

This Administration's food policy can be summed up in a single word: ABUNDANCE.

Or if you need a synonym: FULL PRODUCTION. Or differently: COMPLETE FREEDOM FROM GOVERNMENT RESTRAINTS FOR FARMERS. Or still another way: ENCOURAGEMENT BY THE GOVERNMENT FOR FULL PRODUCTION OF FARM GOODS.

This food policy is paying off. If government restraints had been in effect during last year's bad weather, we'd really have some shortages to worry about right now. We'd have more problems than just moderately tight feed supplies.

For forty years, with short wartime interruptions, the official food policy of this country was one of scarcity, of curtailment, of cutback, of quotas and allotments.

We were afraid to live with plenty.

We were too timid to effectively utilize the tremendous agricultural resources in this land of ours.

We spent tremendous sums of tax dollars on high price supports and restricted production. Yet, our farmers never prospered under this system.

As recently as three years ago we were spending as much as \$4 billion annually as payments to farmers, in large part for holding land out of production. At one time storage costs on government held stores of grain exceeded \$1 million a day.

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In the midst of that longstanding policy, there were hungry and malnourished people living in this country and abroad. Yet, we held as many as 61 million acres out of production. These were acres that might have been utilized to upgrade dietary levels all over the globe.

Now we are in a new ball game. Those 61 million idled acres have been released and largely brought back into production. And as they have, there have been no mounting surpluses of grain choking the marketplace with overproduction — as critics cried would happen.

Instead, agricultural exports have become our number one source of foreign exchange. The \$21.3 billion earned by agricultural exports in Fiscal 1974 represented a full one-quarter of this nation's overseas trade. In Fiscal 1974 agriculture showed a positive trade balance of \$11.8 billion — while the rest of the economy showed a trade deficit of \$9.3 billion.

A wide variety of American-grown food now appears on tables and in huts in every continent. Most of this moves through commercial channels. Less than 5 percent moves through concessional arrangements.

America's food production capacity is a positive factor helping extend peace in the world. We are recognizing that one of our greatest strengths in this country is our agriculture and our food producing ability, all the way from the farmer through the processor.

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We have moved to get the government out of farming. It is virtually out of the commodity business. It no longer dictates to farmers what they can grow or what they can't grow. For most commodities, it no longer says what farmers can market, when they market it, or how they can market it. We have substituted market price incentives for politically-motivated directives out of Washington.

Farmers have responded magnificently. In 1973, we had record high production for our major crops, and are heading for still higher production in 1975. We missed a record goal in 1974 only because of the worst growing season in recent memory.

As a consequence, feed grains are in short supply right now, and feed costs to your own industry are abnormally high. This is not because of any misdirection of national policy, but because of unfortunate weather circumstances.

For 1975, food grain and feed grain farmers are responding beautifully to the need for increased production. Their response comes in answer to a call from the marketplace, rather than from government. Winter wheat acreage is up 6 percent over the very high acreage of 1974. Preliminary indications are that feed grain production in 1975 will also be up.

The signals sent back to farmers in the form of \$4 wheat, \$3 corn, and \$6 soybeans are persuasive. They are stronger signals than any government bureaucrat can produce. They are signals that a farmer can decipher with a dull lead pencil. Farmers respond to this type of signals.

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On the demand side, people are sometimes fearful that the American appetite for protein foods is reaching the saturation point; that this will leave us with too much grain. They hear the voice of the person crying, "Eat one less hamburger a week, or one less drumstick per week." And it worries them.

The evidence, however, is overwhelming that the American appetite for high quality protein foods is not abating -- nor will it. It will increase -- just as it will in the rest of the world.

We are a meat eating nation. The record of the poultry industry demonstrates this. In the past three decades we have increased our per capita consumption of poultry 2 1/2 times. We have almost doubled our beef consumption per person in the same time period.

Our meat, egg, and milk production is based on large part on our capacity to produce feed grains and protein grains in abundance and at reasonable prices. We have not yet reached our capacity in that regard.

A recent study showed that some of our best farmers now get acreage yields that are 50 percent or more higher than the national average.

The top 10 percent of corn farmers had yields 50 percent above the national average. (145 bushels per acre vs. 97 bushels per acre).

Top soybean farmers had yields 60 percent above the national average. (45 bushels per acre vs. 28 bushels per acre).

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Top winter wheat producers averaged 50 bushels per acre while the average was only 34 bushels per acre.

Department of Agriculture scientists and forecasters can easily see a 9 billion bushel corn crop by 1985, and wheat and soybean crops of 2.3 billion bushels each. So we are a long way from reaching our optimum capacity for producing basic feedstuffs.

If we can achieve full production of feed grains and protein grains in 1975, as now appears likely, we can move toward a more realistic relationship between feed costs and broiler prices. We will resume our longtime march toward increased per capita consumption of high quality animal protein foods for our growing population.

The American poultry industry has a tremendous record of aggressive market penetration. It is a history of increased efficiency and lowered production costs. It is likely to make still further gains. There is no reason to believe that we are on a plateau, either in production efficiency or in food consumption levels.

It is the responsibility of the Department of Agriculture and farmers to see that American agriculture will continue to make production gains. This is a responsibility that extends well beyond the farm and beyond farm people.

We all must work to see that 213 million Americans are well fed at reasonable prices. We must make sure that we have food to assist in feeding literally hundreds of millions of people around the world -- both cash customers and the needy.

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We must continue American farm exports as the number one source of foreign exchange. This will help pay for the large variety of goods and services we have opted to import from abroad -- including fuel and petroleum. We must make sure that food will always be available to help bring a peaceful and prosperous world.

All these things add up to a positive food policy -- a food policy in the interest of a healthier and better fed America, a policy in the interest of a prosperous agriculture and rural America.

Ours is a food policy consistent with the basic humanitarian instincts of Americans.

It is a food policy that minimizes costs to the taxpayer.

It is a food policy consistent with the precepts of incentive and freedom for individuals.

It is a policy based on the wise and efficient utilization of the marvelous agricultural resources the Lord placed in America, to the end that all the peoples of the world can live better.

It is indeed the most positive and forward looking food policy this country has had in decades. It is the food policy of the future. It is a policy of PLENTY.

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JUL 10 1957





A NEW GENERATION OF VIGOR

I grew up in Indiana, right in the middle of the Corn Belt. It was fairly early in my life that hybrid corn was developed. It was rapidly adopted by corn growers all over the Corn Belt.

Hybrid Corn represented a breakthrough in agriculture. We soon learned to speak of hybrid vigor. This was bred into our corn by a series of crosses of inbred lines. Our corn breeders developed pure strains of a number of varieties, each to emphasize some particular strong characteristic. Four inbred lines were crossed in paired combinations to make two single crosses which might be viewed as two F-1 parents. These two parents were then crossed to produce the F-2 generation. It was this F-2 or double cross generation that gave rise to corn that was just about perfect from every point of view. It had what we called hybrid vigor. It out-produced anything we had known before. It was the best adapted hybrid we knew. It was bred to resist disease, molds, and other afflictions. It really had inner strength.

America is like that. We have been a melting pot of many ethnic groups and many nationalities. Each has brought its particular strength to the American tradition and to the American ethic, to the American community, and to American patriotism.

Address by Secretary of Agriculture Earl L. Butz before the Nisei Farmers League Annual Banquet, Fresno, California, January 31, 1975

Yet, the melting pot has not caused all these nationalities and groups to lose their own uniqueness. There are many different "native Americans," and these United States are a composite of many national traits, of many ethnic cultures and of many social philosophies.

We have integrated religions, cultures and social ethics into a great composite that we call America. We have crossed "pure lines" to make F-2 generations and F-1 generations and finally one of the strongest and most productive economic and social organizations the world has ever seen.

Within this organization are Japanese, Germans, Swedes, Armenians, Polish, Slovaks, Irish, Italians, and countless others. But there is something even more important: at the very apex of this organization are human freedom and human opportunity. And inside there is inner strength.

No group demonstrates its contribution to this great American experiment more than the Nisei Farmers League right here in the middle of California--in the center of the fertile San Joaquin Valley.

Your arrival in America may have been more recent than that of my ancestors. I am a third generation German American. I grew up in a country community in Northeastern Indiana composed largely of people from families with strong ancestral ties to Germany, to France, to Poland, to England, to Ireland, to Scandinavia, and even to Russia. While these people maintained the sentimental loyalty to "the old country," they were at one and at the same time fiercely loyal to America.

They and their parents and grandparents found in this new land the opportunity for self expression, the opportunity for self fulfillment, the opportunity for contribution to the advancement of human welfare, and the opportunity to carve out for their children a higher level of living.

The great contribution to California agriculture by members of the Nisei Farmers League is widely known. Some of you in this audience were the victims of displacement and harrassment during the war 30 years ago. While you had every reason to be bitter at that experience, it is to your credit that you have developed some of the best citizenship in this area, that you clearly have among you some of the best farmers in the area, and that you have a reputation of being fiercely loyal to the ideals and the concepts that make America great.

America was built by people who worked, who didn't run from responsibility, who believe in delivering an honest day's work for an honest day's wages. It was built by people who respected the rights and opportunities of their fellowmen. It was built by men and women of great integrity.

These are the characteristics that describe members of the Nisei Farmers League. Your contribution to the agricultural community has been conspicuous for these reasons. Not only have you been innovative and productive farm managers, but you have fostered new generations who have been integral parts of the entire spectrum of agribusiness -- from banking to trucking to management and so on through our entire industry.

Some of your sons and daughters have remained in agriculture, but others have used their on-the-farm training as background for countless other important tasks.

These are the characteristics that America needs today. The work ethic as well as a strong family structure have been eroded in many parts of America today. The drive for self-sufficiency and independence has been diluted. There are too many of us today who think there is a free lunch. There are too many who feel that the answer to all their problems is in Sacramento or Washington. There are growing numbers willing to stop pulling on the oar of self-reliance and bask in the illusion of public support while someone else rows.

There are too many who have forgotten that if we would have more, someone must produce more. There are too many who feel we can back ourselves into the easy life. There are too many who float before the demagogic nonsense of the unscrupulous politician. There are too few willing to stand up in support of those ancient virtues that made America great: work, production, thrift, integrity, ambition, charity.

These characteristics are not old-fashioned. They are not "square." They are not out of date. They have served us well in generations past, and they must serve us well in this generation and the next if America is to continue as the haven of affluence and as the beacon light of liberty for all our people.

If I had to choose sides in these tempestuous times, I would always come down on the side of those sturdy and enduring virtues that brought your forefathers and mine to these shores so many years ago. I know that you would, too.

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"MEAT IS HERE TO STAY"

One of the most outlandish of the food-related statements of the last 12 months was the one that said, "EAT ONE LESS HAMBURGER PER WEEK -- SAVE THE WORLD'S HUNGRY."

It was conjured that if Americans would eat just one less hamburger per week, some 10 million tons of grain would be released for world food assistance. That was a proposal based on something short of full facts.

Why single out food? Why not buy one less suit or one less dress per person? Buy one less television per household, one less car per city block, one less immunization per child -- or one less of any number of other things to share more with the world.

Cutting down by one hamburger per week would not automatically mean that the rest of the world would gain any benefits of that reduction. Far from it. First of all, people don't eat very much cattle feed -- corn, grain sorghum and barley. Besides, cattle eat grass and forages that people don't eat and convert it to meat and milk that people do eat. If cattle didn't harvest these forages, they'd go to waste and mankind would be deprived of a valuable source of food.

Address by Secretary of Agriculture Earl L. Butz before the National Livestock Feeders Association, at the Dallas Hilton Hotel, Dallas, Texas, February 6, 1975 at Noon.

So, if we ate one less hamburger per week, hungry people would still remain hungry. The inadequate transportation systems, the archaic distribution systems, and the incentive-killing economic systems that prevail in much of the world would still prevent any substantial improvement in diet or affluence among the masses of people needing it the most.

In recent months, many people have jumped aboard the bandwagon of food hysteria. They have joined in proclaiming a coming era of hunger and starvation. They say that human misery will prevail unless we alter our eating habits by switching from animal protein to a more nearly vegetable diet.

It's time to put all this in perspective.

Are we really running out of food? Is the basic climatic pattern of the world really changing? Has the productive capacity of our agriculture suddenly peaked, with no more gains to come?

The answer to all of these questions is an emphatic NO. The world is not running out of food. The plain truth is that basic food production per person in the world has advanced 22 percent in the last two decades -- in spite of enormous additions to the population.

Nor is there any substantial indication that the climatic pattern of the world has suddenly changed. The long, bitter drought in the Sahel of Africa has broken; rainfall there is returning to normal. The monsoons were late coming to Northern India last fall, but when they did arrive, they spread abundant moisture for the coming crop.

(more)

There will always be spots of bad weather in the world. Three years ago poor weather hit the Soviet Union, but the next year they had a bumper crop unparalleled in their history. Last year they had another good crop -- and it was our turn to get hit with bad weather. It hurt our yields in the Midwest and raised the price of feed grains.

Across the world, the weather's about the same as it's always been: alternately good, bad, and normal.

What's changed is that we are now participants in a global economy. Goods flow more-or-less freely between all nations.

This works for the betterment of everyone. But it also means that shortage conditions in one country will affect markets in other countries. We feel the effects of spot shortages in the world's food supply more than we used to.

In the past, the United States -- through its loan, storage and commodity programs -- carried the bulk of the food surpluses for the rest of the world. The U.S. taxpayer footed the storage bill, and whenever some other country had a bad crop, we used the opportunity to shovel out some of our excess government-held grain.

Now all that has changed.

Today, farmers hold their own grain and if foreign customers want it, they have to bid for it.

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During ordinary times this should pose no problems to our domestic livestock feeders. But these aren't ordinary times. We've just had the most disasterous crop year in the Midwest in 30 years, and to accentuate the problem, cattle numbers are at all-time highs. This unusual combination makes feed prices high and cattle prices low.

Someone is forced to pay the bill in such a situation. Last year it was the cattle feeder; this year it is the cow-calf producer. Inflation adds to the squeeze.

But, this is a temporary situation. The combination of low cattle prices and high feed costs won't last. Most of the negative factors are already beginning to work themselves out.

Cow slaughter is up, and the prospective planting report of January 22 indicates that farmers intend to plant about 76 million acres of corn, roughly equal to last year's large plantings. Grain sorghum plantings should be up about 10 percent, to 19.4 million acres, and soybean plantings up 8 percent, or 4.1 million more acres than last year.

All this should help ease the feed situation, and once grain farmers are caught up with the demand, they should be able to keep up with it. They can plant whatever increased acreage is called for; there are no government restrictions hanging over their heads.

They will also be able to keep up with the growing demand in the future. Some of our best farmers now get acreage yields that are 50 percent or more higher than the national average. This means we have some room to go in reaching higher overall production levels.

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A recent survey showed that the top 10 percent of corn farmers had yields 50 percent above the average. (145 bushels per acre vs. 97 bushels per acre.)

Top soybean farmers had yields 60 percent above the average. (45 bushels per acre vs. 28 bushels per acre.)

Top winter wheat producers averaged 50 bushels per acre while the average was only 34 bushels per acre.

Not everyone can reach those top yields due to restricted climate or soil conditions. Still, scientists and forecasters in USDA agree that 1985 can easily see a 9 billion bushel corn crop in this country. Wheat and soybeans could each hit about 2.3 billion bushels at that time. So we are a long way from reaching our optimum capacity for producing basic food grains and feed grains.

Feed grains are here to stay and so is cattle feeding. So is the demand for beef.

Anyone who thinks we're about to eat one less hamburger a week hasn't looked at the facts. We're going to eat one more hamburger per week if anything.

In spite of all the talk about meat prices, and about cutting beef consumption, it just hasn't happened. In 1974, United States' beef consumption set a new record -- almost 117 pounds per person.

(more)

The only time beef consumption has slipped in recent years was when the government was messing around with price ceilings and interfering with supply and demand. Then some meat counters ran dry, and people naturally didn't eat what they couldn't get.

The evidence is overwhelming that the American appetite for high quality protein foods is not abating — nor will it. It will increase here, just as it will in the rest of the world.

We are a meat eating nation. The record of the beef industry demonstrates this. In the past three decades we have nearly doubled our beef consumption per person.

Our meat, egg, and milk production is based primarily on our capacity to produce feed grains in abundance and at reasonable prices. And as the figures indicate, we have not yet reached our capacity in that regard. Nor are we likely to anytime soon.

A member of my staff recently returned from a trip to a rural area in Latin America. He related the experience of a young Peace Corps Volunteer working there. The youngster had been absolutely amazed at what a delicacy meat was considered to be. In this case, the meat happened to be chicken — having beef to eat on a regular basis was beyond the greatest hopes of these particular people.

The Volunteer told how the wife of the family would delicately shread the small bits of meat onto the top of the rice she had cooked, using the greatest finesse and care.

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"Those people would eat nothing but meat every meal -- every day -- if they had the chance, and could afford it," the young Volunteer said.

Of course they would. And so would hundreds of millions of other people in the world, and the levels of affluence will continue to rise in most of the world. That's why the meat industry is here to stay. That's why the cattle feeding business is a good one.

That Volunteer in Latin America was surprised at the hunger for meat of any kind. He had not previously known of malnutrition or protein starvation.

He had been raised on hamburgers and baloney sandwiches. So have the rest of us. We take for granted the value of meat in our diets.

But our tastes and our desires are working better than our memories. Our taste buds hunger for meat; they make sure we get enough of it.

It's a blessing that more and more of the world's people can now have meat to eat. Meat eating is not something to be ashamed of, nor should we cut it out of our diets. Whether it's a mixture of chicken and rice, pork and potatoes, or a hamburger sandwich; meat is here to stay.

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USDA 372-75

U.S. DEPARTMENT OF AGRICULTURE

JUL 10 1976



Statement of the Honorable Earl L. Butz
Secretary of Agriculture
for Hearings on the
Agriculture and Consumer Protection Act of 1973
before the
Senate Agriculture and Forestry Committee
February 20, 1975

Mr. Chairman and Members of the Committee:

We are meeting at a critical time in American farm policy and American history.

We are here to test our confidence in the American system of free enterprise and competitive markets that has brought to this Nation the greatest affluence and strength the world has ever known.

We are here to judge whether an incentive system will continue to give us the greatest output of food in the history of the world.

We are here to determine whether the collective judgment of millions of Americans expressed through the market is a better guide to what is best for them than a few men deciding in a political climate what is best for millions of Americans.

We are here to decide whether private ownership and private management of our agricultural land is a superior system to that of governmental determination of who shall plant, how much, and what the reward of price shall be.

We are in a new era in which we must look ahead. The challenge of tomorrow is whether we will be able to produce enough food to feed a rapidly rising population here and abroad. The problem even today is whether we can achieve enough production to export food, not only to serve the needs of hungry foreign mouths, but to maintain a balance of payments so that we can purchase the imported energy and minerals that are essential to our economic way of life and to our Nation. The desperate demand now is

that we have food to use for humanitarian reasons to stem famine abroad, and to use for the even more humanitarian and urgent reason of stemming domestic unrest, nationalism, and military conflagration abroad.

A contented United States cannot live unscathed in a world of hunger and famine. Nor can the United States live unharmed in a world of seething unrest, unstable governments, and foreign wars. Our nation cannot muster the strength it needs for the days ahead if its agriculture is fettered.

Those who might think that American agricultural policy cannot be all that important to conditions in the world don't understand what has been going on. They don't understand that millions of people in the world cling to life through the productive capacity of our farmers. This productive capacity enables this Nation to be generous with its foreign food aid. They don't understand that we used food from our farms to help build and rebuild many of the world's economies which can now stand on their own two feet. They don't understand that food comes first in life-- and that the amount of our resources it takes to get our food determines directly and positively how much there will be left to buy the rest of what makes this life important and affluent. They don't understand that the positive balance of trade in U. S. farm products is critical in protecting the value of the dollar and is vital to paying for critical energy and mineral supplies.

Food production--agriculture--remains the largest, and perhaps the most important, sector of this Nation's economy. Therefore, we appreciate the opportunity to discuss the status of agriculture and to provide this Department's view on those items being considered by this Committee.

We are now operating under the Agriculture and Consumer Protection Act of 1973, one of the most successful pieces of agricultural legislation produced under our two-party system of government. It is doing the job it was created to do and is doing it well.

It completed the change from the long-standing negative policies of curtailment and controls for wheat, feed grain and cotton producers. It gave farmers freedom of choice to meet expanding domestic and worldwide demand for American farm commodities.

With the Farm Acts of 1970 and 1973, U. S. farmers are better able to respond to the changing agricultural situation. Farmers are making their production decisions based on market demands rather than producing for government price support programs. Farm commodity prices have increased because of market conditions, not because of government edict. Recently farm prices have dropped somewhat from record levels, and there is now a demand from some that the government again step in and attempt, artificially, to stabilize prices at higher levels.

Because of their new decision-making freedom, farmers are now able to shift production more quickly and flexibly to meet domestic and overseas demand. Farm exports now make a major contribution to the U. S. balance of trade, in contrast to a moderate level of exports in the past. The U. S. has moved from broad government production controls to minimal or no controls, and from heavy government stocks to virtually no government-owned agricultural commodities. As a result, government storage costs of \$1 million a day have been reduced to near zero (with the exception of dairy), and direct payments to farmers have dropped from a peak of \$3.9 billion a year to \$524 million in calendar

1974--a decline of 87%. And \$215 million of last year's outlays was for disaster payments.

Last year, about 35 million acres of land previously withheld from production were planted to crops. In 1975, as in 1974, no acres are being held out of production because of governmental restrictions.

A record wheat crop of 1.8 billion bushels was produced in 1974. With normal weather, we could probably have produced one-third of a billion bushels more. We could have produced nearly a quarter of a billion bushels more soybeans--behind only 1973's record 1.57 billion bushels--and 1.5 billion bushels more corn. Fortunately, or unfortunately, as the case may be, weather cannot be legislated; but we can reasonably expect that crop production will be up this year and should reach record levels if weather is normal.

In 1974 farmers earned an estimated \$27 billion in realized net farm income, second only to a record \$32.2 billion in 1973. Although income may be down some this year, it will still be well above the level of the previous 24 years, which never exceeded \$17 billion, with the single exception of \$17.5 billion in 1972.

Farm exports have increased in value from \$8 billion in 1972 to \$21.3 billion in 1974, and we are estimating exports valued at more than \$22 billion in fiscal 1975. Food exports under Public Law 480 came to around a billion dollars in fiscal 1974 and will be about \$600 million higher in fiscal 1975. Exports under the donation program aimed at emergency foreign relief will probably be about 60 percent higher than last year.

Freed to make their own planting decisions, farmers by the hundreds of thousands have turned away from allotment patterns that had restrained them in the past. They have moved swiftly into production

patterns which maximize efficiency.

The Corn Belt is becoming more heavily concentrated in its highest profit crops--corn and soybeans.

Northern Plains producers have gone more heavily into wheat instead of barley and oats.

Texas producers are planting more sorghum for their livestock industry and for export demand.

Cotton production has begun a near revolutionary shift toward the most efficient production areas--the Mississippi Delta, California and the High Plains and Rolling Plains of Texas. There is no denying that the present outlook for cotton is far from ideal. But it is equally undeniable that the weak demand for cotton in foreign and domestic markets is a function of the worldwide economic slowdown. The choice to the consumer between food and cotton is clear-cut. One must have food to survive. But the use of cotton is optional, at least in the short run.

This is where the variability of farm production, made possible by the Agriculture and Consumer Protection Act of 1973, comes into play. In many traditional cotton-growing areas, that means more soybeans and less cotton. If demand for a commodity is weak, relative to other commodities, farmers should have every opportunity to shift to more profitable alternatives if they choose to do so. And their choice of alternative crops should be determined by prices in the marketplace, not by directive from Washington.

Our present food policy can be summed up in a single word: Abundance. Or: Full Production. Or: Freedom from government

restraints for farmers. Or: Encouragement by the Government for full production of farm goods.

Ours is a positive food policy--a food policy in the interest of a healthier and better-fed America; a policy in the interest of prosperous agriculture and a prosperous rural America.

It is a food policy that minimizes costs to the taxpayer.

It is a food policy consistent with the precepts of incentive and freedom for individuals.

It is a policy based on the wise and efficient utilization of the marvelous agricultural resources with which the Lord endowed America, to the end that all the peoples of the world can live better.

Ours is a food policy consistent with the basic humanitarian instincts of Americans.

Contrast that with the history of the past. Past farm policies cost this Nation billions of dollars to acquire, store, and dispose of commodities under government price support operations. In addition, consumers paid billions of dollars in higher prices as a result of less than full and efficient allocation of resources by not encouraging, and in many cases not even allowing, crop production to shift to the most efficient production areas. However one measures the cost--in tax dollars or losses in export earnings--billions of dollars were spent without bringing farm family incomes up to the level of non-farmers, without appreciably increasing the world's food security, and without truly protecting the farmer. These policies were an albatross for farmers and a source of great irritation to consumers.

The reasons for this failure are clear enough. Support and loan levels were incentive levels for farmers. Farmers produced for government warehouses and for a government check--a check too little to live on; just big enough for some politicians to brag that they were doing "something"; and collectively large enough to incur the wrath of taxpayers. Meantime, surpluses held a lid on farm prices, demoralized farmers, depressed markets at home, destroyed outlets abroad, and ran up tax costs and consumer complaints.

Now that farm prices have receded from record levels, and farm production costs have mounted, there is a legitimate concern about farm earnings and food supplies. I am concerned. Farmers are concerned. And you are concerned. And once again we hear the voices of those calling for government intervention.

Farmers and consumers alike should resist with all their might any attempt to slide back into the outmoded, thoroughly discredited farm policies of the past. Farmers and consumers alike need to understand that these former policies were responsible for the disastrous failures of the past; that unless we exercise good judgment in resisting a revival of such policies, we will create an even more disastrous economic failure in the future.

These policies of the past interfered with the function of price. The function of price is to stimulate or discourage production, and to ration supplies among competing uses.

We all agree that this is a fundamental principle of any market economy. It cannot be avoided regardless of details of individual economic systems; even in the centrally planned economies, the function

of price cannot be totally ignored.

The question is: Will these decisions on price be made by the sum total of millions of decisions reflected in the market--with farmers free to respond to the changes--or will these decisions be made politically by a few people and enforced by an army of bureaucrats?

The same basic principles apply to reserves of farm commodities. We must have reserves. We all agree to that. The question is: Will these reserves be carried by farmers and the trade with the levels set through their combined decisions in response to changing conditions--as is happening now--or will the reserves be held by the Government at great tax expense and at the expense of depriving farmers of their hard-won management initiatives? Or at the cost of the rigidity that disrupts both domestic markets and foreign trade?

Everyone agrees that with rising costs, farmers need some assurances against low prices. In some circumstances, they need time and help to adjust. We all agree on that. The question is: Will we give farmers the protection and help to make these adjustments--or will we raise loan rates and target prices to levels at which they once again become incentive prices for farmers and a great burden on taxpayers?

We all believe in reasonable earnings for farmers--since without the expectation of reasonable profit, producers would not make the investment in agriculture necessary to take care of our own future needs and those of others around the world.

We also believe in reasonable food prices for consumers. The question is: Will price relationships be allowed to work themselves out through the intelligent guidance of millions of decisions made by buyers and sellers daily--or will the Government decide politically

what farmers' earnings will be and what price level consumers must pay?

If the Government makes the decisions, experience shows that we will have a cheap food policy that in the long run will serve neither farmers nor consumers. Why? For the simple reason that politicians and bureaucrats can't say "no" as readily as can the market. Neither can they react as quickly as the market to say "yes." Nor can a few politicians and an army of bureaucrats be as intelligent, or understanding, or as fair as the combined judgment of millions of private citizens rendering their daily decisions in their own best interests.

This Administration is adamantly opposed to disruptive modifications in present agricultural policy which would rescind the decision-making freedom restored to farmers by the Agricultural Act of 1970 and strengthened by the Agriculture and Consumer Protection Act of 1973.

Specifically, this Administration:

- opposes amendments to the present target price and loan levels of the Agriculture and Consumer Protection Act of 1973, which would artificially stimulate production and again lead to government ownership of feed grains, cotton, and wheat and a return to potentially excessive direct payments.
- opposes export licensing, which would deny U. S. farmers free access to world markets, thereby adversely affecting farm income and our balance of payments. Licensing would discourage production, thus increasing food costs for American consumers while burdening taxpayers with the administrative costs of implementation, and it could deny needed commodities to many countries of the world.

- favors establishment of a U. S. grain reserve, as part of a world network of nationally held reserves, endorsed by the World Food Conference; but believes strongly that such a reserve should be held by the private sector and not be government-owned.
- favors moving rice, peanuts and extra long staple cotton into market-oriented programs in phase with current feed grain, wheat and cotton programs. We cannot defend programs which restrict production and produce an effective monopoly for allotment holders, enforced by Government and financed by the taxpayer.

The central issue here is the proposed increase in target prices and loan levels. Part of the push for higher target prices has been rationalized on grounds that farmers need higher targets to provide an additional incentive for production. But what kind of incentive are we talking about? The incentive to produce certain crops for government payments, or the incentive to produce crops that are in demand at the marketplace?

Within the past week, growers of corn, wheat, and soybeans could have contracted to sell their 1975 crops at representative elevators at harvest this year for about \$2.65, \$3.58, and \$5.74 per bushel, respectively. This is more than any target price or loan that can be enacted by the Congress. Farmers could have locked in that price this past week and assured themselves of a good return from the marketplace.

Farmers are rightfully concerned about rising cost. The reason for rising costs is inflation. This Congress is the right place to come for action and fiscal policies that will curb the inflationary spiral in costs of what farmers buy.

Farmers have indicated that while they will reduce cotton plantings to 9.5 million acres in 1975, they will plant over 77 million acres of corn, about 74 million acres of wheat, over 57 million acres of soybeans and over 19 million acres of grain sorghums. This clearly indicates market prices are an effective incentive to produce needed crops. And there is certainly no indication that farmers expect to leave land idle in the coming year. We can see in these planting intentions ample proof that farmers have responded favorably to the marketing initiatives guaranteed them by the Agriculture and Consumer Protection Act of 1973. If there is sufficient incentive in the marketplace to induce full production, why add still more incentives?

Proponents of higher loan rates contend that raising the level of these rates would have a positive effect on production. However, this runs the risk of eventually encouraging production for the Commodity Credit Corporation rather than for actual domestic and export needs. And it can interfere with acreage adjustments among crops in response to market demand.

To continue to provide farmers the opportunity to use all of their production resources at peak efficiency, we must continue to expand our export trade. High loan rates could hold U. S. prices above world levels and make U. S. products noncompetitive in world markets-- unless we once again resort to a system of export subsidies, contrary to the U. S. goal of freer world trade. High U. S. loan levels also provide a price umbrella for the world, encouraging foreign production which competes with U. S. farmers.

Domestic consumers use only one-third the wheat, two-fifths of the rice, half the soybeans, two-thirds of the tobacco, two-thirds of the cotton, and three-fourths of the feed grains produced by American farmers.

Yet we hear, almost daily, some voice in or out of government, who unthinkingly, I hope, would try to push us in a direction away from commercial exports, eventually collapsing our agricultural production with tragic impact on our total economic well-being.

If farmers in America were limited to producing only for the needs of this country it would have a serious negative impact on the entire economy, since there would be setbacks in many businesses and industries which provide services or supplies to agriculture.

On top of this, we would face a serious international monetary situation. This Nation could lose more than \$20 billion in positive impact on the balance of payments if farm exports were sharply curtailed.

America's agricultural productivity is built on profit.

In today's agriculture, there is no better way to encourage production than through the profit incentive. To have profit the farmer must be permitted to sell whatever he produces wherever he can sell it. If sales abroad are not permitted when there is a need for American farm products, not only will the shorted international market drive commodity prices higher, but such a policy will create intolerable economic conditions at home.

You already have before you proposals for the establishment of reserves for grains and other agricultural products. These proposals

stem from two major concerns: (1) the humanitarian desire to be able to meet food needs in times of unexpected production shortfall; and (2) the further desire to reduce fluctuations in farm and food price levels. I share those objectives; they are laudatory. But I do not concur in the means proposed to achieve them.

If the primary reason for having a reserve is one of providing food security, then it would also seem that those who have the greatest food security risk should hold the major portion of such a reserve. That means the importing nations of the world. The United States for many years has held most of the world's food reserves, at no cost to the importing nations.

We are prepared to commit our fair share toward worldwide food security, but we expect the other major importing and exporting nations to do their share, too. In fact, we took the lead in discussion on this issue at the World Food Conference in Rome last November, and again in follow-up discussions in London a few days ago. I hope that we will be able to work out an international understanding. But, Mr. Chairman, there is absolutely no chance of doing so if the United States takes unilateral action to establish a reserve. Once we are committed by Congressional action to a food reserve of any consequence, our importer and exporter friends will find it convenient not to participate in an international reserve.

Now, what about the domestic consequences of a publicly-held food reserve? Since food security is not a problem for the United States, the basic reason for establishing a reserve would have to be one of reducing or minimizing price fluctuations. That it would do; after all, it did it successfully for many years. What farmer will forget the depressed prices he experienced all the years that we had a "domestic reserve"--called "surplus"

then. We had stability, but that stability cost American farmers dearly. During the past few years we have moved out of that strait-jacket into a market-oriented system, and farmers have enjoyed price levels beyond their most optimistic dreams of the '60's.

If we now return to a government-held reserve, make no mistake about it--we will have stability at low farm price levels.

Isolating the reserve from the market by establishing the resale price at a high level will not solve the problem, either. Several farm organizations have already testified in support of that concept. Nearly every time one of them does so, the price of grain drops another nickel because people in the grain business know it is impossible to isolate a reserve from the market.

The minimum resale price can and will be changed if we have a "food shortage" in the future--or at least what someone defines as a "food shortage"--and farmers ought not deceive themselves by believing otherwise.

If we, as policy leaders, are sincerely interested in the vitality of the agricultural sector, I would suggest that one immediate contribution would be to remove the yoke of government infringement from additional commodities, thus enabling more farmers to capitalize on opportunity and efficiency.

This calls for the repeal of outdated rice legislation, and for devising a program for rice which encourages market expansion in response to the world's needs. Current rice legislation is not in the best interest of the farmer, the industry, the rice consumer or the general public.

We recommend support of legislation such as S. 4121 of the 93rd Congress which is designed to bring rice legislation into line with

the 1973 Farm Act, with these reservations:

- That the target price for the 1975 crop be adjusted to 7 cents per pound.
- That the disaster payment provision be stricken.

The target price would escalate in accordance with provisions in the proposed legislation. The bill also provides for price support through a loan at 60 percent of target price; authorizes acreage allotments to be sold and released within the boundaries of the State; authorizes a rice research program; authorizes a set-aside requirement, if needed; and affords price protection to the current allotment holders on a minimum of 2 million acres.

The proposed loan level provides a method for interim financing and a measure of price protection while encouraging rice production in response to domestic and foreign market demand. At the same time, it is not at such a high level that it would provide an incentive to produce for the Government loan.

The success of the Agriculture and Consumer Protection Act of 1973 with respect to the wheat, feed grain, and upland cotton programs should be extended to rice production. We need to assure the most efficient production possible by encouraging farmers in rice-growing areas who do not qualify for allotments under current legislation to produce rice to meet domestic and export demand for this commodity. Moreover, it is grossly unfair to deny any producer the opportunity to participate in the rice program on the basis of an antiquated law.

Likewise, we stand ready to cooperate with this Committee to revise peanut and ELS cotton legislation to bring these programs into phase with

current programs for wheat, feed grains and upland cotton. This Administration feels strongly that in its review of agricultural policy, the Congress should review agricultural policy for all crops at one time.

The Administration favors an ELS cotton program incorporating the target price concept, which has worked successfully for upland cotton, loan levels which provide protection without subsidy, the removal of government restrictions from planting decisions, and restoration of initiative to the producer.

The support price for milk, under the Agricultural Act of 1949, must be set at a level between 80 and 90 percent of parity through March 31, 1975 (between 75 and 90 percent thereafter). The support for the balance of the 1974-75 marketing year and for the 1975-76 marketing year has already been set at \$7.24 per hundredweight, about 80 percent of today's parity. This level, announced on January 3, is a substantial increase from the previous level of \$6.57. It is above the minimum in the law, and it may not be lowered during the marketing year.

The higher support was necessary because farm milk prices declined contraseasonally in December, at the very time when feed costs were reaching their peak. The new price level will help producers meet those higher costs and give them the assurance they need to continue in business.

This change demonstrates the desirable flexibility now provided in the statute, and we strongly believe that this flexibility, within the limits of 75 and 90 percent of parity, should be maintained. This permits the Secretary of Agriculture to adjust the price upward when needed, but does not require him to establish unrealistically higher support levels without regard to changing economic conditions.

Free of government restrictions on prices and production--including freedom from export controls and government-held reserves, which are just another form of price controls--the American farmer still faces great challenges in meeting the demands of today and tomorrow. One of these challenges is the growing problem of world hunger and population.

As I see it, uncontrolled population growth places a tremendous moral burden on the American people as a whole, and the American farmer in particular. Farmers everywhere produce food. But nowhere in the world is overall production of farm commodities so efficient as in American agriculture. Nowhere in the world is agricultural technology so highly developed as it is here.

We have a moral responsibility to pass on American technological know-how to the people in nations where it is most lacking, and where its lack is most critically felt. Until those nations have dramatically improved their productive output, we must help supply their needs through our exports and, in times of emergency, through donations. We in the United States cannot be our brothers' keeper forever, but we have a moral obligation to see that dire Malthusian predictions are never realized.

Consistent with this responsibility are the changes in our foreign food aid policy. After shipping the lowest level of P. L. 480 exports in 20 years in fiscal 1974--\$850 million in commodity costs and a volume of 3.3 million tons--we are now projecting commodity exports valued at more than \$1.4 billion and more than 5.6 million tons for fiscal 1975. The actual levels will depend upon our ability, along with that of the

participating countries, to implement new country allocations resulting from the increase in the food aid budget. Moreover, at this time we foresee a greater volume of food assistance for next year although at reduced costs, as prices moderate.

These projections indicate the expectation that we are emerging from the tight commodity situation of the past two years that reduced availabilities for P. L. 480 programming.

If our expectations materialize, we need to formulate food aid policies and conduct development programs which will accelerate agricultural and economic growth in recipient countries. Such growth not only will foster peace and stability but will result in larger commercial markets for U. S. farmers.

U.S. DEPT. OF AGRICULTURE

JUL 10 1915

STATEMENT OF EARL L. BUTZ
SECRETARY OF AGRICULTURE
BEFORE THE
SUBCOMMITTEE OF THE HOUSE APPROPRIATIONS COMMITTEE

March 13, 1975

Mr. Chairman and members of the committee, it is a privilege to appear before this committee today to present the 1976 budget for the Department of Agriculture. Before I get into the details of the budget, I would like to briefly report to the committee on the general status of our agricultural economy.

Success of Our New Farm Policy in 1974

1974 was a successful and historic year for our nation's farmers. It was their first year operating under the new Agriculture and Consumer Protection Act of 1973. We removed our old policy of government intervention and restriction. Instead we asked our farmers to go for full production and to compete in an open market for the consumer's dollars. Essentially, no land was held out of production by government programs.

By every measure we have, we believe that the results show that our farmers can respond to the challenge of an open marketplace. About 35 million acres of land previously withheld from production were planted to crops. A record wheat crop of 1.8 billion bushels was produced. With normal weather, we could probably have produced one-third of a billion bushels more. We could have produced nearly a quarter of a billion bushels more soybeans -- behind only 1973's record 1.57 billion bushels -- and 1.5 billion bushels more corn.

Despite bad weather and the general economic problems of the nation, our farmers produced. We met both our domestic needs and our foreign commitments. In calendar year 1974, farm exports reached \$22 billion compared to \$9.4 billion in 1972. P.L. 480 shipments came to around \$1 billion.

The story is that our farmers, now free to make their own planting decisions, have lived up to our confidence and met our nation's needs. And they were rewarded for their effort with estimated realized net farm income of \$27.2 billion in calendar year 1974, second only to the record \$32.2 billion in 1973.

Outlook for 1975

Given our experience in 1974, what can we expect in 1975? I think it is reasonable to expect that we will not again experience the disastrous weather we had in 1974. If the weather holds we can expect record levels of production. We can also expect another year of high farm income. Although income may be down some, it will still be well above the level of the previous 24 years, which never exceeded \$17 billion, with the single exception of \$17.5 billion in 1972.

However, this is not to say that we do not have problems. The farmer is an interdependent part of our economy. The problems of inflation and recession and energy hit him as hard or harder than they hit any other citizen. Therefore, he has a vital interest in what his government does to help cope with these problems.

The answer, in my judgment, is not for the government to step back into the farm marketplace with its heavy hand and restrictive regulations. Our experience in 1974 shows clearly that our present farm policy does work. Private ownership and private management of our agricultural land is a superior system to that of governmental determination of who shall plant, how much, and what the reward of price will be. We should not forget that even in the midst of our present economic distress, as well as for the long term, our farmer has a commodity which is generally in high demand, and he should expect a free market to provide the profit incentive he needs to produce.

Rather than narrow and restrictive action aimed at him, the farmer needs the benefit of the broad economic programs now being considered by the Congress. In

one specific area of action, this committee plays a vital role. We must get the Federal budget under control and reduce its inflationary impact. It is in this context that I would now like to cover some of the essential points in the 1976 budget for the Department of Agriculture.

1976 Budget

Any attempt to reduce USDA expenditures means taking action on our food assistance programs. In fiscal year 1975 these programs will cost at least \$5.8 billion and will account for about two-thirds of the Department's budget. In our attempt to gain some control over these costs we have offered three proposals.

Food Stamps

The first proposal related to the Food Stamp Program. We proposed that the cost of food stamps be increased to 30 percent of the recipients' adjusted net income as authorized by law. Because the eligibility for food stamps is based on adjusted net income, many people today who earn incomes well above the poverty level are allowed to participate in the program. In calculating adjusted net income, a variety of deductions are permitted. These include medical payments over \$10 per month, educational allowances including amounts spent for children to attend private institutions, taxes, retirement deductions, union dues, payments for child or invalid care if necessary to accept or continue employment, expenses such as losses due to fires, flood or theft, funeral costs, alimony payments and shelter costs which are more than 30 percent of household income after all other allowable deductions have been made. These exemptions, in effect, broaden the scope of the Food Stamp Program to make it a general welfare program subsidizing

not only food purchases, but housing, education, medical expenses and other expenses of the household.

The Department had expected, through this action, to reduce food stamp costs in 1976 by \$650 million. The Congress rejected this proposal and consequently the food stamp budget for 1976 is understated by at least that amount. However, the Senate in passing Senate Resolution 58 directed USDA to make a study of the Food Stamp Program and to provide the Congress by June 30, 1975, recommendations for legislative changes which will:

- disqualify families who have adequate incomes from receiving stamps;
- reduce administrative complexities which make joint operation with other federal assistance programs difficult;
- tighten accountability for procurement, shipping, and handling of food stamps; and
- increase penalties for those who abuse the program.

We are also authorized by that resolution to make such other recommendations as may be desirable. We are still hopeful that we will be able to come up with some recommendations which will reduce the costs of this program, but at the same time provide adequate assistance to those households which genuinely are in need of help to meet their food costs.

Cost of Living Increases

The second proposal is to place a temporary limit of five percent on automatic increases in benefit programs which are linked to changes in consumer prices. This limit, if approved by the Congress, will reduce the costs of the Food Stamp and Child Nutrition Programs. Very large increases have occurred in these programs in recent years, increases well above the rate of inflation. Automatic increases

at such a rate tend to add to the inflationary pressures which already exist and compound the problem we have in trying to control the inflation which we are experiencing.

Child Nutrition Program

The third proposal included in the Department's budget is one to replace the existing Child Nutrition, Special Milk and Special Supplementary Food Programs with a single block grant proposal. There are three basic weaknesses to the current programs. First, they provide substantial subsidies -- currently 22 1/4 cents per lunch -- for children from non-needy families. Secondly, they provide duplicate and sometimes triplicate benefits. For example, the Food Stamp Program is intended to meet the nutritional requirements of all participants. However, children from needy families can, in addition, receive free breakfasts and lunches at school. Beyond that, they can also receive free milk -- this is in addition to the milk which they receive as a normal part of their Type A school lunch. A report issued by the Joint Economic Committee last December indicated that 38% of the Food Stamp households surveyed also received School Lunch benefits. 13.1% received Special Milk benefits and 6.6% received School Breakfast benefits. Thirdly, the separate programs for breakfasts, lunches, equipment assistance, non-school feeding, special supplementary feeding programs for women and infants, and special milk have given rise to their own administrative requirements and have brought about a system which is complex and a burden to administer, at the federal and state and local levels.

The Department proposes to replace these programs with a block grant to states. The block grant would provide more funds to states for feeding poor children than the present set of programs. In addition to the assistance provided through the

Food Stamp Program, the block grant would provide sufficient funds to meet one-third of the total recommended dietary allowance for all poor children on a year around basis, exclusive of weekends, holidays and normal absenteeism from school or from a summer feeding program. It would permit the states to tailor programs to meet their individual requirements. At the same time, by eliminating benefits to the non-needy, it would save taxpayers some \$3 billion in the first five years.

Food Program Costs

Through this series of proposals the Department attempted to bring spending for the food programs under control and yet increase assistance to needy families. Congressional rejection of our proposal to increase the cost of Food Stamps to 30% of the recipients' adjusted net income will cost at least \$650 million. Failure of the Congress to adopt the proposal to set a five percent limit of cost increases will cost at least an additional \$364 million. If the Congress does not adopt the block grant proposal, but merely extends the existing authorities which are now scheduled to expire on June 30 for the school breakfast, non-school food and special supplemental food programs and in addition provide funds for the continuation of the Special Milk Program, the 1976 budget could increase by another \$527 million.

Participation in the Food Stamp Program for January 1975 was 17.9 million persons, an increase of almost 4 million participants from the July 1974 level when preparation of this budget was begun. Participation will continue to climb unless the overall economy improves within the next several months. If participation continues to increase at this rate, it will be over 20 million persons by the end of this fiscal year. Were it to hold at that level for all of next year and no changes were made in the program, the government's costs would amount to

more than \$5 billion in fiscal year 1976. This compares with \$2.9 billion in fiscal year 1974, \$3.7 billion currently programmed for fiscal year 1975.

In summary, if Congress fails to act on any of the Administration's proposals with regard to these programs -- if no administrative changes can be made in the programs, and if current legislation and current programs are extended, these programs could cost as much as \$6.9 billion in fiscal year 1976, increasing our budget by \$1.5 billion over the recommended level. With increased participation, the cost of these programs may go even higher. In view of the government's already staggering deficit of over \$50 billion projected in the fiscal year 1976 budgets, I am certain that you see the seriousness of this problem and will join with us in seeking means by which we can hold down spending for these programs, while we continue to provide for those who are in real need.

Payments to Farmers

In fiscal year 1976 we expect direct payments to farmers to decrease by \$605 million, from just over \$1 billion in 1975 to \$401 million in 1976. The major reduction in this area is expected to come from disaster payments under the Agriculture and Consumer Protection Act of 1973. Our 1975 estimate for disaster payments is \$592 million. These payments were far in excess of the amount we estimated a year ago and resulted from a series of disastrous weather conditions which ranged from floods and cold weather in the spring to severe drought conditions in some parts of the country during the summer and to early killing frosts in the fall. Hopefully, the 1975 crop year will not be faced with these same weather conditions and consequently our costs will be sharply reduced. In addition, the Department is preparing legislation which will remove this provision

from the current Act and replace it with an expansion of the Federal Crop Insurance Program. Such legislation, however, could not be enacted in time to become effective with the current growing season, but hopefully will be enacted before our fiscal year 1977 budget is prepared.

Budget Rescissions

The Congress was asked to rescind the 1975 Agricultural Conservation Program, Water Bank Program, and Forestry Incentives Program. No new funds are requested for these programs in the 1976 budget. I have discussed the merits of these programs several times with this Subcommittee. During a period of low farm income a persuasive case could be made for their continuation. However, at this time, in view of relatively high income among our farmers and during a period when government costs absolutely must be reduced, I urge the Congress to approve our proposal to eliminate these programs from the 1976 budget.

During the past few years we have made substantial progress in improving farm income and at the same time reducing the level of direct payments which farmers have received from the federal government. In 1973 these payments amounted to over \$3.9 billion. In 1976, assuming that we do not have a repetition of the disastrous growing season of last year, and if the Congress supports us in our efforts to reduce these programs, and does not enact new legislation which would substantially increase target prices and loan levels, there will only remain about \$400 million in direct payments to farmers. And yet we expect net farm income to remain well above any year in which large payments were made to farmers under former costly farm programs.

Public Law 480

For the past several months serious negotiations have been taking place around the world regarding our food aid commitment to needy nations. In the Department's 1975 budget we projected program costs, that is, the cost of commodities plus the cost of ocean transportation for P.L. 480, at \$981 million. A few weeks ago this was increased by more than \$600 million to \$1.6 billion to provide for an increase of about 2 million tons of commodities programmed for shipment in 1975.

For 1976 our current estimate of program costs is a little over \$1.3 billion. Although down from 1975 levels, this is still a substantial increase of over \$350 million from the 1974 actual level and \$300 million above the original 1975 budget. Slightly lower commodity costs account for a part of this decrease.

The United States has never failed to meet its commitments to help distressed nations throughout the world. Between the time the P.L. 480 program was initiated in 1954 and through fiscal year 1976, program costs for Title I concessional sales and Title II donations will reach more than \$30 billion.

Research and Education

There is another important area in our budget which I would like to call to the attention of this subcommittee -- our research and education programs. These programs are absolutely fundamental to a successful agricultural economy. If we are to carry out food programs for needy people, either here in this country or abroad, we must be able to make food available to them. As population increases, the pressures for new research will increase. Through our USDA programs and the cooperative programs which the Department maintains with states we have been able to stay ahead of the demand for food in the world. As a matter of note, the

National Academy of Sciences recently issued a report on Agricultural Production Efficiency. The report indicates agricultural research must be vigorously pursued to provide the new knowledge for meeting increasing output requirements. We must therefore continue our efforts if we hope to meet the demands of the future.

The overall budget request for the Department for research and education programs including forestry research for 1976 is \$702.6 million, an increase of more than \$50 million. For those research and education agencies under the jurisdiction of this committee our 1976 request is \$623.4 million, an increase of \$49.3 million above the 1975 level. I recognize that this is a substantial increase at a time when we are making every effort to hold down government expenditures. I am firmly convinced, however, that this increase is absolutely required if we are to meet the pressing problems of food production in the future.

Animal and Plant Diseases

In addition to meeting the research needs of agriculture, we must also deal with our current animal and plant disease problems. I am very pleased to report to this Committee that we have now gone over 12 months in this country without a single reported case of hog cholera. Twelve years ago we began our battle against hog cholera in earnest. It had been a recurring plague for American farmers for nearly 150 years. Hopefully, it has now been eradicated from this country. An example of the benefit of this program, in addition to the savings in hog losses and expensive vaccinations, is the recent action by the United Kingdom in lifting a 20-year old ban on the importation of pork and its by-products from this country. Recent outbreaks of Venezuelan Equine Encephalomyelitis (VEE) and exotic Newcastle disease have also been suppressed.

We must now direct our attention to other problems which we believe can be successfully dealt with. These involve the eradication of brucellosis and the

shifting of the screwworm barrier from the Texas-Mexican border to the Isthmus of Tehuantepec in Southern Mexico. Our struggle against brucellosis has gone on for over 25 years. During that period losses have decreased from \$100 million annually to \$15 million. If we were to give up our efforts, losses from this disease could quickly exceed the previous limits. There are increases in the 1976 budget for both of these programs.

Conclusion

I recognize that this budget is an austere one. It does not include as much for many programs as many members would like. It is difficult to cut back any federal programs. Each program has a loyal and sympathetic following; but federal spending must be reduced and it can be reduced, but only by making hard choices. I hope and trust that this committee will help us and work with us in our efforts to control federal spending.

U.S. DEPT. OF AGRICULTURE

JUL 10 1903



"THE RIGHT KIND OF FOOD AID"

Until recently only science fiction writers have seriously considered the year 2000. But now it's only 25 years away.

George Orwell's infamous 1984 is even closer, less than 9 years away.

The problems that most of us have often thought to be "in the distant future" are either already here or are rapidly approaching. One of the concerns of the last year has been whether the world can continue to feed itself.

Each year sees 80 million more people added to the human population. That's 30 times more people than now live in the state of Oregon. Or to put it in another perspective; there are only about 55 million people now living in the United States west of the Mississippi River -- including Alaska and Hawaii.

It is going to get more crowded in the world ahead. There will be more diets to balance and a lot more stomachs to fill. Every night when we all line up for the dinner table there will be 219,000 more people to feed than on the night before.

Can we feed all those added people?

The answer is NO -- not with today's farming practices as they are still carried out in much of the world.

Not with the lack of agricultural research in the developing countries.

Not with today's lack of incentive for farmers in many nations.

Address by Secretary of Agriculture Earl L. Butz before the University of Oregon, All-University Program, Corvallis, Oregon, March 14, 1975

Not with today's supplies of fertilizers.

Not with today's supplies of fuel.

Not with today's storage and distribution methods.

Not if the population continues to expand at present rates.

At current rates of growth there could be six billion people on the earth by the year 2000, and if we are to feed that many we will have to address ourselves seriously to the problem. We will have to work diligently to eliminate the shortfalls I have just mentioned.

This will require changes in educational systems, changes in economic policies, and changes in research. It will require more capital expenditures for food production, and better dissemination of knowledge and farming techniques. It will require more available credit for farmers in the lesser developed countries.

Most of all, it will require better incentives for every farmer in the world to increase his production.

If farmers are going to produce the quantity of food that the rest of us will need, they are going to have to receive the economic incentive to do so. From now on there can be no adequate supply of food in any country that insists on clinging to a cheap food policy.

It is the greatest mistake to think that farmers of any nation will produce food at maximum production levels unless they are paid to do so. Regardless of the economic system under which a farmer works, he is only going to produce at the level for which he is remunerated. He simply can't make the investment in better seeds, fertilizer, irrigation, pesticides, equipment or storage if he doesn't get paid for it.

(more)

That's a hard, cold fact which may prove unpopular in some quarters, but most of the world's leaders have already acknowledged this crucial economic truth.

One of the most important questions we face in the next quarter century is not how to set up emergency food distribution programs. It is not how to serve the needs of the affluent consumer in the industrialized world. Rather, it is how can we increase total food production in the world, particularly in the developing nations. And how can we facilitate the commercial trade of food among all the nations of the world.

It is in the poorest nations that agriculture's productive capacity is strained the most. Those are also the nations where the population is expanding the fastest. Ultimately, those are the nations where farming methods need updating the most.

It becomes increasingly clear that the developed world, including our own nation -- where farming is advanced and productive -- must share agricultural production knowledge with the developing nations. This will become more imperative as time goes on.

When too many people today talk about the food problem they think only of setting up an emergency system of grain reserves to feed the poor in times of bad weather or natural disasters.

That's fine and good, but if you don't have the excess grain to store, or the ships to ship it, or the docks to unload it, or the trucks to haul it, or the bins to store it -- then all the reserves in the world aren't much good.

(more)

The ultimate answer can come only with helping the developing countries produce more food themselves. More food production must come from the very people who need it. More food production must occur in the exact areas of the world where it's needed. It is an unrealistic attitude to think that America alone can grow enough grain always to support the poorer nations of the world. Instead we must help them help themselves. And we must help them to become trading partners with us.

Sometimes in the past when we have shipped a country vast stores of emergency grain, it has been unloaded onto a dock where it sat until it spoiled. Or it has been largely consumed by rats or fouled by birds. Or perhaps it moved into the black market.

The latter alternative is the worst of all. Not only did the grain not get to the people who needed it; it made profiteers rich and it served to help destroy the existing grain marketing system of the very country it was supposed to help.

When the marketing system crumbled, the incentives for local farmers to increase their own grain production was lost. There was little or no incentive for them to take the production risks that were required to increase food production. To do so, they would be competing with donated grain from the United States.

Food aid is a difficult thing. It is a complex thing. You want to help someone, but you don't want to make them totally dependent on you. It's like handing a crutch to a man with a broken leg. It helps him at the time; but his leg will never work properly again until he throws away the crutch and walks on his own. Our long time goal must be Trade Not Aid.

(more)

There's much we can do to help the developing nations increase their food supplies without crippling them. We can help them learn to farm better. We can show them how to use technology. We can help them set up the basic research units with which they can eventually solve their own problems.

One of the greatest things we have to export in this business of feeding the world is our land-grant college-USDA experience. When we established a publically supported and locally controlled system of agricultural research and education over 100 years ago, it was the wisest approach to agricultural development we could have possibly taken.

The resulting system has uniquely been American. We have successfully tied publicly-financed research and education to a privately-oriented agriculture.

The science that has moved our agriculture into world leadership was developed by trained people working in the public sector. It was carried to our farmers by an extension service financed by the public sector but controlled and guided at the local level.

In the final analysis this unique system worked not because somebody received something for nothing, but because it provided individual farmers and their families with practical farming knowledge they could put to work. They supplied their own capital; and they supplied their own labor -- and because there was a profit motive, they worked to move agriculture ahead.

(more)

Today there are farmers all over the world who will do the same thing if given the opportunity. We can help provide that opportunity. If developing-country farmers are supplied with the knowledge of how to make modern farming work, they will produce the additional food that the world is going to need -- provided they have the incentive to produce.

That's what happened here; when the American farmer worked long hours to develop his family farm and this nation's food production strength, he did so always in the hope of making a little profit.

That is the one great lesson American agriculture has to give to the rest of the world.

The Achilles' heel of the socialist countries is the difficulty they have in getting their agriculture off the launching pad. They are never able to raise it more than a elbow length from ground zero as long as their farmers work for the State, as long as their farmers produce in a system dominated by central planning.

By way of contrast, any farmer, anywhere -- given the freedom to produce and the incentive to produce -- and supplied with the sort of productive knowledge that our own agricultural specialists could provide -- can help make sure that the world will never be hungry. Now or in the future.

Self help based on shared knowledge; that is the sort of food aid that will work. That is the sort of food aid we should be emphasizing, rather than the incentive depressing kind based on handouts.

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USDA 789-75

U. S. DEPT. OF AGRICULTURE
BUREAU OF PLANT INDUSTRY

88-10-12

'LET'S LEARN FROM HISTORY'

Over the past year, a best-selling book has reminded us of the down-to-earth wisdom of former President Harry Truman. This oral biography of Harry Truman also reminds us that the late President had a penchant for calling the shots as he saw them and letting the chips fall where they may.

He was a great student of history. He often drew on historical lessons to guide him in the White House.

One of his favorite sayings, and often quoted, is this: "The only new thing in the world is history you haven't read."

It's time right now for all of us to dust off the history of economics and farm programs and review the lessons they tell.

Commercial agriculture emerged when farmers produced more than they needed for subsistence. Ever since, society has sought a marketing and distribution system that would reward the producer and at the same time distribute the product to non-producer consumers as equitably and economically as possible.

Economists and political scientists for centuries have debated over the best system. Adam Smith, with his Wealth of Nations published in 1776, proclaimed the advantage of "Laissez Faire" as a means of maximizing human satisfaction for the broader society.

Address by Secretary of Agriculture Earl L. Butz before the National Grain and Feed Association Annual Meeting, Honolulu, Hawaii, March 17, 1975

Seven decades later, Karl Marx wrote his Das Kapital, extolling the virtues of central state management -- virtually at the other end of the spectrum from Adam Smith. At both of these extremes and all the way in between, various governments and various economic and social organizations have attempted to achieve Utopia. None has succeeded, though some have come nearer than others.

It may not have been completely coincidental that Adam Smith wrote his Wealth of Nations in the very same year that a group of American patriots attached their signatures to the Declaration of Independence. These were indeed two great landmarks in the course of human history. These documents were similar in that both proclaimed freedom -- one in the economic sphere and the other in the political sphere. Clearly, political and economic freedom are inseparably linked. It would be very difficult, if not impossible, to achieve political freedom without economic freedom, or vice versa.

But even more than that, history is replete with evidence that man can achieve his greatest dreams of peace and prosperity when he enjoys a maximum degree of personal freedom, whether it be economic or political.

It is therefore no accident of history that Americans enjoy the highest level of affluence for the greatest number of people that we know anyplace in the world. Ours has been a system of incentives. Ours has been a system that rewarded innovation, experimentation, new ventures, and new investment. Ours has been a system where relatively free prices in an open market have essentially called the signals. Ours has been a system where price signals motivated producers to increase or decrease their output; to shift from product A to product B; to modify the character of their products; or aggressively to seek new markets.

Of course, this system is anything but perfect. If we want the "perfect" system, we can ask for a description from the theoretical analyst as he theorizes on the efficiency of the all-powerful socialist state with central planning and central direction. Or, we might recall the "perfect" systems of Hitler's Germany and Mussolini's Italy where boasts were made of how the trains "ran on time."

The only trouble with the state planner's utopia is that "something always went wrong with it in practice." Witness, for example, the movement in recent years among socialist economies toward the introduction of some form of incentive for individual producers in agriculture. The trouble with having the trains "run on time" in Germany and Italy was the enormous loss of freedom that went along with the so-called progress.

What does history teach us about the government's role in American agriculture?

Government has been heavily involved in farm commodity programs ever since the creation of the Federal Farm Board in the Hoover Administration in 1929. This attempt to stem the falling price of wheat in the world markets was a costly debacle. It failed.

Then came the New Deal of FDR's days. Farm programs grew like Topsy. We had the cotton plow-under program. We had the slaughter of six million baby pigs. We had "birth control" programs proposed for sows and cows. We had potato destruction with kerosene oil.

Then, these programs took lives of their own. We saw the growth of diversion programs, quotas, allotments, cutbacks, foreign dumping programs, and billions of dollars piled on top of other billions in futile efforts to curtail output. Production patterns were frozen, marketing quotas were assigned on a historical basis, some of which persist today though their monetary value has been capitalized into the price of land.

Then there was the development of an extensive bureaucracy that covered America and reached into the affairs of every individual farmer. There was the substantial domination of commodity markets by policies and programs of the Commodity Credit Corporation -- a situation where a chance remark by the Secretary of Agriculture could shove markets up or down a dime in Chicago within an hour.

For four decades prior to a couple of years ago, the philosophy of central planning was predominant. The farmer played the government's game in order to share in the Federal largess.

These farm programs interfered with the traditional functioning of free markets and free prices. They made it difficult for individual farmers to manage their farms effectively for maximum efficiency, and indeed for maximum income. They made market expansion both at home and abroad difficult, and sometimes impossible. They brought prosperity to our farmers only in short wartime periods -- a price we never again should pay for prosperity.

I regret that during this period, the farmer was given a public relations black eye that will not soon be forgotten. Under the previous system taxpayers were dishing out upwards of \$4 billion a year to farmers. This was about the worst public relations American agriculture ever had. That three-fourths of the American population not engaged in agriculture developed all kinds of sneering derogatory epithets about farmers.

It was not so long ago that we read those scathing editorials and cartoons and heard those demagogic speeches about farmers with their snouts in the public trough, about driving in their luxury cars to pick up government payments, about withholding production from a hungry world, and about milking the taxpayer while not producing milk for hungry babies.

Thank goodness, this situation has now changed. Today the farmer is a respected person. He's a businessman on his own, He's making a great contribution to feeding America and the world. His public image has improved markedly. He even regards himself as a first class citizen. Only a few years ago many farmers felt an inward sense of shame for the kind of system in which they had to operate. Now they no longer can be accused of being a burden living off the public pabulum.

The reversal of the direction of agricultural policy in America started when the Agricultural Acts of 1964 and of 1965 began to de-escalate government interference in wheat corn and cotton and moved our farmers in the direction of freedom to plant and sell as they chose, with freedom to manage their farms prudently.

This progress continued under the Agricultural Act of 1970 and the Agricultural Act of 1973. Things have turned around from a basic philosophy of scarcity to a national goal of plenty. We are achieving geographical shifts in production that result in increased overall efficiency for agricultural production. We are making our agriculture competitive in the markets of the world. Indeed, we have opened up the world to the products of our farms.

One mechanism which has enabled us to achieve this progress is the government guarantee that farmers will not be thrown to the mercies of drastically declining markets. Under the 1973 Act this is a mechanism we call target prices. These prices admittedly are not high enough to achieve profitable farming; nor should they be. They are indeed substantially below present market prices, even after the price declines of the last few months.

But today I wonder if we have learned from history.

Right now, Congress is considering farm legislation. Tremendous pressures are being exerted to get Congress to increase target prices substantially. The real question is whether target prices will be increased to the point where they become incentive prices. If that happens, farmers would be producing for a government guaranteed price, which is something I don't think they want to do anymore than they want to produce for a government warehouse or government granary. The two go together.

In the past, when government loans and price supports were established as the incentive level, we paid a price for the government's involvement in the commodity business. Surpluses overflowed, and the taxpayer kicked out a million dollars a day just for storage. Foreign producers undersold us in the world markets just enough to clear their supplies. The American taxpayer also performed the inventory function for the world. The American farmer suffered because the surpluses held by his government constituted a price ceiling which he could not pierce in those years when markets did improve.

Some people are once again peddling the sweet nectar of higher target prices. They argue that higher target prices are needed to assure full production in these years when we struggle to meet world food needs. But the most powerful incentive we have for full production is free market prices substantially above the levels that prevailed under the old farm program.

Target prices, as defined by the law, are a misnomer. They are not really "target" prices at all. My concept of a target price is a free market price sufficiently high to indicate some prospect of profit for the individual producer. That market price level must always be above a so-called "target" price as defined in the law.

As an industry, we must always pursue vigorously the goal of expanded markets at home and abroad. As an industry, we must always be able to bid for world markets on the same basis that any other foreign supplier can do. We must never again let ourselves become the residual supplier able to sell only when everybody else has disposed of his product. We must never again let the government become as heavily involved in the commodity business as it was over the last four decades. We must have the courage to recognize that free market prices operate in an incentive system with a minimum of government interference and provide the best guarantee for full production, for full market participation, and for satisfactory incomes.

It is true that prices in the free market will fluctuate through a wider range than under a system of high government price guarantees. Again, we must be pragmatic enough to realize that fluctuating prices, within reasonable limits, are part and parcel of the free market system. But what is the alternative? In the kind of consumer-dominated political structure in our country today, we may write it down as fact number one that governmentally-set prices will be below those that will prevail in a free market situation.

Some attempts are being made this very moment to make the government once again a senior partner on the farm. During this period, we must maintain cool heads and clear thinking in order to reach sound and courageous conclusions.

We will work ourselves out of the areas of distress in American agriculture today. They are temporary. If we surrender again to a myriad of government controls that are inevitably associated with high price guarantees, we will move once more down the blind alley of mediocre incomes and blighted hopes for agricultural producers.

Farm income two years ago reached a record high by a very substantial margin. Last year, although not quite as high, we had the second highest income on record. Nineteen seventy-five will still be among the high three, by a substantial margin.

Let us stay out of the wilderness of heavy Federal domination which is associated with high price guarantees. Let us not forget that the Siamese twin of high price guarantees is always rigid control -- the two go together. No economic or political surgeon can separate them.

In these days as pressures grow to raise our target prices to uneconomic levels, we should carefully read the history of farm programs in the last four decades. They didn't work. They never brought prosperity to farm people or to rural America. They never brought plenty to consumers in the sense that American agriculture is doing now. They never moved American agriculture anywhere near its present position of number one earner of foreign exchange. They never brought agriculture to the place where it constitutes a powerful tool in America's effort to be peace broker of the world. They were an affront to the dignity of the farmer. They needlessly drove hundreds of thousands of farmers off their land.

Santayana reminded us that those who don't read history are condemned to repeat it.

This is no time to repeat our historical mistakes of high price supports and of rigid production quotas. Let us not invite the dead hand of bureaucracy back onto the shoulder of the individual farmer.

This time, let us learn from history.

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USDA 788-75

MORE PORK, LESS PORK BARREL

The hog has been known traditionally as the mortgage-lifter throughout all of mid-America. Indeed, he has been that for many farmers through many decades.

Pork production on American farms moves cyclically in response to variations in feed supplies and corn-hog ratios. Total pork production has trended upward in recent decades, although not as rapidly as total beef production. Historically, pork production has increased roughly in proportion to the increase in population in the United States. Hence, per capita production, and therefore per capita consumption has remained relatively stable for the last couple of decades except for cyclical variations.

We now find ourselves in a situation where loud voices sometimes proclaim that we should consciously cut back meat consumption -- that as a matter of national policy we should reduce animal production to release more grain for human consumption. It is true that hogs and poultry use large amounts of grain, in contrast to beef cattle where more of the beef tonnage is produced on forage. In a very real sense, pork is mostly concentrated corn and soybean meal.

However, the hog is a reasonably efficient converter of feedstuffs into edible animal protein. Tremendous strides have been made in increased efficiency of producing pork in the last couple of decades. The conformation of the animal has been altered. The genetic composition has been improved. The quality of the meat has been substantially improved to meet changing consumer tastes.

Address by Secretary of Agriculture Earl L. Butz before the National Pork Producers, Kansas City, Missouri, March 20, 1975

Yet, consumer acceptance has not responded in the same degree that the pork industry had hoped it would.

This points to the need for continued research in pork production and merchandising. It calls for continued emphasis on market promotion. In this respect, the National Pork Producers Council, along with the National Livestock and Meat Board, are to be commended for the effective work being done in this area. You are especially to be commended because this is entirely a voluntary and cooperative effort on the part of the industry -- without the infusion of government assistance or government control.

There are now two important questions facing the whole livestock industry.

First, will America continue to be a meat eating nation -- or have we reached the limit of our appetite for animal protein? Will we accede to the plaintive -- and misleading -- cries of some to adopt "meatless Tuesdays," or similar schemes in an effort to release grain for direct human feeding around the world? Have we, indeed, reached such finite limits on our production capacity that we need to blow the whistle on the steady, longtime American advance toward better living and better eating? Can our children and our grandchildren eat as well as we do, or must they themselves move back toward a lower animal protein diet of the kind that now characterizes large parts of the world? Must they themselves move in the direction of the dietary pattern of the undeveloped world?

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The second important question involves domestic policies with respect to the prices of agricultural commodities. The way in which the question of target prices and loan rates is resolved will affect corn hog ratios for example, and therefore the level of profitability of the whole swine industry and the capacity of this industry to serve a growing American market.

Will we remain meat eaters? Let us turn to the first question for a moment. I could not disagree more with the notion that Americans should eat less red meat. Obviously, cutting down on pork consumption in America would not automatically mean that the rest of the world would gain any benefits from the reduction. It is not as simple as one less sausage equals two servings of protein nourishment for an Indian peasant.

In the first place, people don't eat very much hog feed. More significantly, the inadequate transportation systems, the archaic distribution systems, and the incentive-killing economic systems that prevail in much of the world would still prevent any substantial improvement in diet or affluence among the masses of people needing it the most.

Meat eating is not something to be ashamed of, nor should we cut our diets. Instead, it is fortunate that more and more of the world's people can now have meat to eat, and very unlikely that consumer tastes will be drastically altered here in the United States.

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Which way on commodity price policies? The second big question facing the livestock industry is even more crucial, in my judgment.

Pork and poultry are the two heavy feed grain consumers in this country. It is estimated that about 40 percent of all the corn fed to livestock and poultry in this country is fed to swine. Poultry take another 18 percent and beef cattle just under 20 percent. The swine industry, therefore, has a paramount interest in the type of feed grain policies we pursue in this country.

There are those who maintain that swine producers will benefit from maintaining heavy government-owned or government-controlled stocks of feedstuffs, resulting in some degree of price stability for feed grains. This is not a universally held opinion. Other analysts believe that hog production and price cycles tend to move through wider limits when we have governmentally guaranteed stable grain prices. This is because of the absence of countervailing forces in the inevitable cyclical movements of hog breeding and, therefore, hog marketing and pork production. Some will contend that the normal cyclical movements of hog marketings and prices will be more violent with a governmentally controlled grain market than with a free grain market.

Livestock producers should be apprehensive of this kind of re-entry of government into feed grain involvement.

The farmer did not prosper, nor was he happy, under the old programs which had the government setting support prices at incentive levels. Does the farmer think these programs are any more tolerable today? Let us recall what they were like.

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We saw the growth of diversion programs, quotas, allotments, cutbacks, foreign dumping programs, and billions of dollars piled on top of other billions in the futile efforts to curtail output. Production patterns were frozen, marketing quotas were assigned on an historical basis, some of which persist today though their monetary value has been capitalized into the price of land.

An extensive bureaucracy was developed that covered America and reached into the affairs of every individual farmer. Policies and programs of the Commodity Credit Corporation substantially dominated commodity markets. A chance remark by the Secretary of Agriculture could shove feed grain markets up a dime in Chicago within an hour.

Farmers didn't have the best public relations in those days, either. All kinds of derogatory epithets were directed at them. Accusations flew that farmers had their snouts in the public trough; that they drove in luxury cars to pick up government checks for not producing; that they withheld production while babies starved.

Things have changed, and I think the change is for the better. We are now dedicated to a prosperous agriculture and rural America. The record of the past few years testifies to this. Farm income two years ago reached a record high by a very substantial margin. Last year's farm income, though not quite as high, was the second highest on record, and 1975 will still be among the high three. This has been achieved while government payments to farmers have decreased markedly; while Federal subsidies to agriculture generally have been downward; while government involvement in individual farm operation and management has been reduced drastically.

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Things have turned around from a basic philosophy of central planning and scarcity to freedom from interference and plenty. We are achieving geographical shifts in production that result in increased overall efficiency for agricultural production. We are making our agriculture competitive in the markets of the world. Indeed, we have opened up the world to the products of our farms. The farmer is a respected person and no longer feels an inward sense of shame for the kind of system in which he had to operate.

We are a nation of meateaters and will continue to be. The evidence is overwhelming that the American appetite for high quality protein foods is not abating -- nor should it. Our meat, egg, and milk production is based primarily on our capacity to produce abundant feed grains at reasonable prices. And there is nothing to indicate that we have reached any unsurmountable barriers in that regard, in spite of last year's bad weather.

Pork consumption will continue to hold its place in American diets. In 1969 we ate 65 pounds of pork per person in this country. In 1974 we ate about 66 pounds of pork per person.

Hog numbers are down right now. December-May farrowings will probably be the lowest spring farrowings dating clear back to 1924.

Commercial hog slaughter in the first half of 1975 will likely be the smallest since 1966. Indications are that second half hog slaughter will see still further reductions.

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So hog prices should remain strong. How soon and how fully farmers jump back into the hog business will depend on how much corn is produced this year. That's always been one of the determining factors which start the recovery phase of the hog cycle.

Given the freedom to produce and the freedom to manage their own business, farmers can adjust to whatever changing factors come along; particularly when they are set up to use hogs as one of their marketing options.

Livestock producers have had a minimum of direct governmental assistance through the years. They have taken their bumps in the marketplace -- and their profits, too. Generally speaking, they have fared better this way than if their prices had been set in Washington, with all the political involvement and chicanery involved in that kind of price setting.

They recognize that the agricultural political muscle in Washington has been seriously eroded so that Washington is no longer a good place to set farm prices.

The American economy is resilient. Recovery will shortly set in from the recession we currently experience. Employment will rise. Wage payments will rise. Consumer expenditures will rise.

In this environment, you are wise to cast your lot on the side of self help, of industry self promotion, and of aggressive merchandising to prosper along with a growing America.

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USDA 851-75

"ARE WE SPENDING OURSELVES INTO TROUBLE?"

When the books close on the Federal budget this June 30 the United States Government will have reported its 14th Federal deficit in the last 15 years. At present, nearly a third of our earnings as a nation goes to some form of government. Within 15 years that share could exceed 50 percent.

As a nation we're getting top heavy in the amount we pay out to Government. It took us over 180 years to reach our first \$100 billion Federal Budget, in 1962.

Nine years later in 1971 the Federal budget rolled past the \$200 billion mark for the first time.

This year it will top \$300 billion. Within three more years it will exceed \$400 billion.

Government programs, once initiated, tend to grow rather than get smaller. This means that much of the increased cost of Federal Government is built in and difficult to control.

This trend should be of great concern to every American citizen. It should frighten everyone who values individual economic freedom, or who wonders about the future vitality of this country.

Address by Secretary of Agriculture Earl L. Butz before the Nebraska Press Association, Lincoln, Nebraska, April 12, 1975 at 8:00 P.M.

My government responsibility is principally concerned with agriculture, but frankly nothing in farming worries me as much as the overall trend toward bigger and costlier government. The cause, or the blame, lies with each of us as individuals. Whenever we turn to government to solve one of our own particular problems, we send the costs up another notch. Certainly agriculture has not been blameless in this respect.

But whether we are farmers, bankers, service station attendants, professors or whatever; the real question to ask today is, "Are we spending ourselves into irreversible trouble?"

The biggest danger as we rush to get ourselves out of a recession is to swing the pendulum too far in the direction of stimulus and ignite another devastating round of inflation.

Nearly everybody who has ever had a pet program to push through Congress is now using the excuse of a recession to accomplish that aim. If they succeed, we will be headed into an era of large, unmanageable federal deficits. Right now the red ink figures for next fiscal year will likely hit \$80 billion and could go as high as \$100 billion. Rather than aiding our economy, figures like those could end up choking us to an early death.

Trying to explain the potential economic problems that lie ahead is like trying to explain why you have just painted yourself into a corner while re-doing the basement. At best the answers are complicated, and at worst they are unsatisfactory. No matter where we go from here the route is going to be sticky and difficult.

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Some people say the answers are simple: more deficit spending. Borrow money from the right hand, stuff it into the left hand, then spend our way out of our current recession.

That logic is a little hard to follow if you've watched what's happened in the bond market lately -- where most of that added cash is supposed to come from. That particular source of funding is already showing signs of strain from the huge increases in Federal borrowing.

But the worst is yet to come. The Treasury Department announced last week that it will have to seek an additional \$17.5 billion before June 30 in order to cover deficit spending. Later in the year as the federal government steps up its borrowing to an even more fevered pace, it could well pull the plug on the commercial bond market, draining most of the money from it.

The government is after the same pool of cash that business needs for economic recovery. It is the same money so badly needed to increase productive capacity and to provide more jobs. It is the same money needed by business to build up manufacturing capacity and to increase earning power for workers.

The funds needed to increase productivity -- the very thing that could lift us out of the recession on a permanent basis -- are going to be siphoned away by the good intentions of the federal government. The quick fix to our economic problems could well come at the expense of a permanent cure.

It's a little like shooting your cow to cure her milk fever. Somehow it would seem there should be a better way -- and in the case of our economy, there is.

Rather than turning to government for the quick fix, we should take the necessary steps to cure our productive ills. We need more private investment, not more government spending. Capital investment in new machinery and new equipment has been lagging in this country for the last 13 years. Our productivity has been slipping because we have been taking more out of our productive system than we've been putting in.

Take and consume, that's been the story of the recent American past. We have not built for the future. We have not invested in the increased productive capacity that our growing society needs. We have only produced and consumed for today. Now the bill is coming due; it's time to pay the piper.

From 1960 through 1973 (discounting the effects of inflation) the U.S. invested only 17.5 percent of its output to rebuild fixed investment in productive equipment.

That compared with:

35 percent in Japan.

25.8 percent in West Germany.

24.5 percent in France.

21.8 percent in Canada.

20.5 percent in Italy.

18.5 percent in Great Britain.

We're low man on the totem pole. No wonder our economy has been slipping. No wonder our output has been declining.

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Even more tragic, too many people think that the only way to fix our problems is to pour more money into the federal government -- which diverts even more of our national output away from where it is needed the most.

Any farmer knows that land is only as good as the care it receives. You can't continually recrop the same ground without putting back some of what you take out.

The Virginia colonists learned this rule when their tobacco plants sapped the productive strength of the very soil that sustained them. The plantation owners of the South learned the same lesson with cotton. So did the corn growers of the Midwest and the wheat growers of the Plains. So did the cattlemen and the sheepmen who overgrazed the West.

The same premise holds true for the remainder of our economy. Without a continuing investment in capital equipment, the assemblyline soon wears out and no longer produces an efficient output.

When a plow breaks down you spend the money to fix it. When a more productive plow is developed you make the investment to get one -- or you are soon hopelessly behind your competitors who have one. They can turn out efficiently produced goods for less expense than you can, and soon you are out of business while they're still producing. They've taken part of what they've earned and put it back into the business -- and its paying off for them.

The answer is not to turn to government to regulate the output of your neighbors, or to get the taxpayer to subsidize your own inefficiencies. The answer is to invest in a new plow for yourself and become competitive.

In the long run that is the only decision that will save you.

Business in this country needs a lot of new plows. It needs a lot of new plants and equipment. It has to make the investment that will create more jobs and make the working hours of each and every laborer more productive.

What we don't need is the millstone of a huge federal deficit hung around our necks. We don't need a well-intentioned, but inefficient bureaucracy sucking up all the funds that could otherwise go for productive use.

During the next 12 months it is estimated that the federal government will be forced to tap the public debt market for at least \$80 billion -- the planned federal deficit for the year.

To get an idea of how much money \$80 billion is, it's the same as \$940 from every job holder. It is the equivalent of about \$1,176 from every household in the United States. Imagine the pandemonium it would cause if you and all your neighbors ran down to the local loan office and all tried to borrow \$1,100 on the same day. That's the sort of increased load now hitting the public debt market.

The question is, "Where is all that \$80 billion to come from?" Taxpayers aren't going to provide it -- and the bond market will probably be too strained to come up with it.

In this case, as in most others, the big spenders have an answer. They say that all the government has to do is crank up its printing presses, roll out some crisp new thousand dollar bills, use the federal banking system to send them into the economy and then everything will be all right.

Government will have the money it wants. The business world will have the money it needs, and everybody will be happy -- we will all be on our way to everlasting prosperity.

ONLY IT DOESN'T NECESSARILY WORK THAT WAY. Each of the new dollars dumped into the economy and not backed up by increased production makes every one of yours worth a little less.

At a certain level of deficit government spending, the entire system begins to shake and sweat with nervous exhaustion. Hardcore inflation sets in and buying power sags. Hopes and promises soon begin to crumble, and the elderly and those on fixed incomes are hit the hardest.

That is why each of us, regardless of his profession or his position, should stop and study all the plans for increased deficit spending by the Federal Government. We should ask ourselves if this is what we really want.

The time to stop the next round of inflation is not 12 months from now. It is not 18 months from now. It is now, today.

It is the responsibility of every one of us to learn just why the government plans on spending over \$300 billion this year, or why it really has to go \$80 billion or more in the red during the next fiscal year.

Then if you don't like what you find, you should work to do something about it. A ground-swell of public opinion in favor of fiscal sanity could be most helpful even at this late date. The President can work with recisions and deferrals to gain some semblance of order and you can back him up by letting your voices and thoughts be heard. You should also get in touch with your Representatives and Senators in Washington and tell them exactly how you feel. If enough people tell them, they'll listen. It's their political bread and gravy that's at stake.

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Huge federal budgets are not inevitable. Enough pressure can still be brought to bear to cut the losses and turn this monster around.

There is no law, economic or legal, that says we have to spend ourselves into trouble. But the time to stop it is now. The next time the value of your dollar plunges, it will be too late.

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Advance for Release at 6:30 P.M. EDT, Saturday, April 12, 1975

USDA 1117-75

APR 23 '75

U.S. DEPT. OF AGRICULTURE



"CITRUS - A GROWTH INDUSTRY"

It is the very nature of agriculture to be a growth industry. As the population grows, total food requirements grow. But the citrus industry has been growing even faster than the numbers of consumers.

There have to be some good reasons for this.

The first that comes to mind is good research. The citrus industry has not stood still and let the world march on without it. You have worked vigorously to support research on new varieties. You have developed more efficient methods of fighting plant diseases and pests. You have adopted new methods of handling, processing, and distributing citrus.

As consumers' tastes and methods of food preparation have changed, so have the products of the citrus industry. Such updating has done much to keep your products on the dining tables of the world and in the refrigerators in America.

Another prime reason for the success of the citrus industry -- and of Florida citrus in particular -- has been your aggressive stance in market development. You have developed far-reaching programs involving new methods of merchandising, and you have created a year-around market for an agricultural commodity that is seasonally produced. This has paid off; others in agriculture could well look to you for a lesson in this regard.

Address by Secretary of Agriculture Earl L. Butz before the Florida Citrus Mutual's 27th Annual Meeting, Florida Citrus Mutual Headquarters Building, Winter Haven, Florida, June 17, 1975, 11:30 a.m.

Your market development work has successfully combined aggressive promotion with a good quality control. When a homemaker goes down to the grocery store and picks up a can of frozen orange concentrate from Florida, she knows that she is getting a top quality product, one that is every bit as good as the advertising says it is.

About 85 percent of Florida's citrus crop now goes into processed products. The biggest share goes into frozen concentrated orange juice, a product popular with millions of Americans. Florida's pack of frozen orange concentrate has increased from about 70 million gallons in the late 1950's to around 100 million gallons in the late 1960's. During the past two seasons, it has exceeded 170 million gallons -- and this season it will probably go over 180 million gallons.

This has paid off back at the farm. The farm value of the Florida orange crop has just about doubled in the last 20 years. It now reaches around \$400 million each year, of which \$340 million comes from oranges used for frozen concentrate. That's quite a change from the days when all we could think of was a fresh orange stuck in a stocking and hung over the fireplace at Christmas time.

None of this could have come about without cooperation among individual growers and the formation of groups such as Florida Citrus Mutual. You recognized the need for an aggressive merchandising program that involved industry and farmer cooperation, and had the courage to move ahead to achieve such a program.

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You folks, and those who came before you, had the courage to put some money on the line for national TV and other forms of national advertising. You recognized that the proper place to spend grower funds and industry funds was not in Florida to impress those who put up the money; but rather, where the customers are who are potential buyers of the product.

This is in sharp contrast to many agricultural promotion groups who spend most of the money back home where the contributors can see what they are doing. Your people recognized that the place to spend Florida citrus money was in Boston, New York, Chicago, and Seattle -- and it has paid off.

Research, education, and cooperation: those have been the keys to your progress, but none of it would have been possible if growers had simply approached the problem individually. Yours is a case where honest self-assessment and the collection of money for the common good has worked well.

This was also accomplished without government price support programs or production controls. Had the citrus growers of Florida demanded high price supports at the first sign of marketing distress, and had then accepted a guarantee of prices higher than the market would bear, they would have placed themselves in the same boat with other commodity groups. Take cotton, for instance, which priced itself too high and consequently lost much of its market to synthetics.

Given artificial price supports on citrus, you would have found that citrus has no monopoly on the breakfast table -- that you compete with grape juice, apple juice, prune juice, cranberry juice, eggs and cereal.

Had the citrus industry succumbed to the ever present temptation in the occasional bad year to go for governmental price supports of one kind or another, it could never have experienced the growth record that it has. Again, look at another example: soybeans and peanuts, two fine, high-protein oil crops. Soybeans, existing on a relatively free market have experienced phenomenal growth. Peanuts, hampered by government programs and government restrictions -- in a trade-off for artificial price supports -- have failed to grow into new markets during the same time span.

So there are two sides to the question of running to the government for help every time things get a bit tight. This is something that not only commodity groups are going to have to recognize, but the rest of the nation as well, I'm afraid.

There are legitimate areas where government, industry and commodity groups can work together -- such as promoting and increasing overseas sales of American agricultural commodities to earn foreign exchange. Again, the citrus industry is doing well. While we haven't yet put a very high proportion of our citrus crop into exports, we have made some significant gains.

There have also been real problems; many of them are still with us: quotas, preferential levies, and preferential treatment in the European market for citrus from other areas of the world.

To help overcome these handicaps, the citrus industry has cooperated with USDA on many market development programs, blending money and personnel successfully with private government money and personnel.

Right now we are working to introduce frozen concentrate orange juice into Italy. We are also selling grapefruit and grapefruit sections in the European market. American oranges and grapefruit are big favorites over much of the Orient.

This is only a beginning, and even though we point to it with pride, most of the work and expense lies ahead. The market for American agricultural products overseas has tremendous potential. Eating levels are going to rise all around the world; people are going to want more and more varieties of better food. This is particularly true as the purchasing power of individuals resumes its rise in Europe and the Orient as the current recession ends.

This calls for aggressive merchandising abroad if America is going to get her fair share of the market. It's also going to call for continued research and expansion of the citrus industry, and here we see some figures that are a bit distressing. There are signs that the growth in American citrus production will be tapering off in the early 1980's.

The U. S. population is not going to level off by 1980; neither is the world population. Right now we have about 213 million people in our nation and by 1980 we are going to gain another 10 million. By the year 2000 the U. S. population is likely to be around 260 million. Those people are going to want to eat even better than they do today. Our appetites for fine foods such as citrus are not going to level off as our earnings increase; if anything they are going to intensify.

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At the same time, the appetites of our foreign customers are going to grow as they earn more foreign exchange from the products they sell to us. Look at the tremendous dollar accumulation in the OPEC countries. Those dollars ultimately are going to come back here in search of such items they want from us. That could include citrus.

The American citrus industry has its foot in the door of the world market, and now the thing to do is get your whole leg into it. We at USDA stand ready to help you develop those new markets. This is one area where our nation can increase its own earning of foreign exchange, based on comparative advantage.

U.S. agriculture, of which your citrus industry is one part, is the most efficient in the world. It will continue to be -- if it can keep itself relatively free from governmental control and pricing; if it can make itself market oriented and if it can resist the strong temptation in the inevitable adverse year to fall into the soft arms of government support.

Once in those arms you would find it very difficult to extricate yourselves and once again become an aggressive merchandiser in the markets of the U.S. and the world.

Government's role in an industry like yours should be to assist in research, in innovations, and in market development; and to assist in the legitimate efforts of producers and processors to band together for cooperative programs that will be of mutual assistance for the industry and the nation. If we all can continue to play our proper roles, then American citrus will continue to be a growth industry.

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Advance for Release at 6:30 A.M. EDT Tuesday, June 17, 1975

USDA 1802-75

U.S. DEPT. OF AGRICULTURE
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JUL 11 '75

FOR CURRENT SERIALS ON
CURRENT SERIAL RECORDS

Leila Moran
Info. Officer
NAL
Room 204-NAL
Beltsville, Md.

THE WORLD CAN FEED ITSELF

Seven months ago, Minister of Agriculture Paulinelli and I went to Rome to discuss an age-old problem -- hunger. One hundred thirty other countries were also there -- along with well over a thousand news reporters. For a period of weeks and months, the subject of food received more concentrated public attention than at any time since Joseph's ten brethren went down to buy corn in Egypt.

Much of the panic of 6 to 8 months ago has subsided. To a considerable extent, hunger has receded from the front pages. But those of us who have the responsibility to do something about world hunger continue to work at it. Our efforts are sometimes prosaic, not always newsworthy. Still they go on. And they are succeeding.

Brazil and the United States have a history of cooperation in research and experimentation to improve food production. I am proud to have had a part in this work while serving as Dean of Agriculture at Purdue University in Indiana. The cooperative program between Purdue University and Rural University in Minas Gerais continued for almost 20 years. Newer joint projects are now under way in the States of Goias, Minas Gerais, and Sao Paulo. I visited the earlier work in 1958 and again in 1963.

I like to think that this work has contributed to the training of agricultural scientists, to the rise in agricultural production in Brazil,

Address by Secretary of Agriculture Earl L. Butz at a luncheon meeting of the American Chamber of Commerce, Rio de Janeiro, Brazil, June 23, 1975.

and to the diversification away from "one crop" economies dependent on coffee, sugar and cocoa. Between 1969 and 1973, Brazil's farm output expanded at an annual rate of 6 percent. In 1974--a poor growing year in the United States--Brazil increased production by almost 9 percent.

The short-term outlook for the world food situation is much improved over the grim picture portrayed at the World Food Conference last November. In the most severely affected countries, the food situation has been eased by food aid shipments from the United States and from other countries. For the world as a whole, there is optimism over prospects for sharply improved crops this year. Farmers seem to be responding to the relatively high prices the last year or two. And, based on present crop conditions, there is the possibility of a 5 percent increase in world food production in 1975. Such an increase would return world output very near to the long-term upward trend. It is early in the year, of course, and should adverse weather occur in major areas, we could be faced with another tight world food situation.

If world production does increase by 5 percent, much of that gain must come from the United States. American farmers indicate that in 1975 they will increase acreages of wheat (by 3 percent) and soybeans (by 5-1/2 percent) and hold feed grain acreages at about the same level as last year. With normal growing and harvesting weather, this would mean substantially larger crops than last year. This year's corn crop would total around 145 to 167 million metric tons, up sharply from the short 119 million tons harvested in 1974. Soybean production is being projected in the area of 40 million tons, compared with 33 million tons last year. Wheat is projected in a range of 56 million to 58 million tons, compared with 49 million tons last year.

These are not official USDA predictions; it is too early for that. They are projections based on planting intentions reported by farmers, and they assume normal or nearly normal weather. Last year's crops suffered from an unusual combination of misfortunes due to weather. It is not likely that we will have another year as bad as last year in the United States.

World wheat production is currently expected to reach a record 372 million metric tons -- a gain of 7 percent over the 1974 total. Most of this increase is occurring in the United States, Canada, and the Soviet Union. Coarse grain production may reach a record 626 million tons in 1975 -- a gain of 100 million over 1974.

Bangladesh, India, and the African Sahel continue to be watched carefully as critical food areas, but there is definite improvement in the availability of food. Despite the August floods in Bangladesh, the total rice harvest probably was near the level of the preceding year. The U.S. P.L. 480 Title I agreement for fiscal 1975 calls for 850,000 tons of wheat and rice to Bangladesh. Bangladesh has also received significant food aid from other countries.

India is importing substantially more grain than last year -- 6.5 to 7.0 million tons compared with 4.5 million tons. About 5 million of this, including about 1.1 million tons under P.L. 480, comes from the United States. Food supplies are improved in the cities, but increased government distribution will be needed in the rural areas between now and October.

In the Sahel, the drought was relieved by more normal rainfall in 1974. Late crops were generally good. Food supplies are now adequate, and the need for foreign supplies is diminished. Recovery and rehabilitation programs are under way. New plantings will get under way soon.

Latin America was an exception to the world's food problems in 1974. Agricultural output in this part of the world improved by 5 percent over the preceding year. There is a continuing need to increase production in Latin America as in many other parts of the world.

Many of the Latin nations are diversifying their agriculture -- expanding domestic food supplies faster than the traditional export commodities. Historically, there has been competition between crops grown for export and for domestic use. Food production may have been slighted in the interest of coffee in Brazil and Colombia, beef as an export commodity in Argentina, sugar in the Caribbean, cotton in Mexico, and bananas in Central America.

But in the past decade, this has changed. Latin America's overall food production now exceeds its needs. In 1968-72 the value of food production exceeded by 12 percent the value of food consumed.

Total Latin American food production in 1969-73 was 30 percent above levels of 1961-65, resulting in a per capita gain of 5 percent. Output of the most important staple items advanced by a fourth during the past decade while the export and industrial commodities increased by only a tenth.

Wheat is still in a deficit position in Latin America, but this is more than offset by exportable supplies of other crops. In Mexico, wheat yields have tripled since the early 1950's. Brazil's wheat production has multiplied ten-fold since the early 1960's.

Brazil is also creating its own miracle from the Asian legume so often referred to as a "miracle crop" in the United States. The soybean is an export crop but also an important food source in Brazil. In 7 years, Brazil's production increased from 200,000 tons to nearly 10 million tons from the crop just harvested. In 1975 Brazil is supplying 30 percent of the world soybean exports. Ten years ago, Brazil's share of world soybean exports was only 1 percent.

In Latin America, there continues to be a huge potential for increased production through improved yields of many crops.

For many important commodities, average yields in Latin America are below the world average. Also, they are increasing at a slower rate. For example, wheat yields in Latin America declined 3 percent in the last 10 years while the world average increased 35 percent. Corn yields in Latin America rose 11 percent, while world corn yields rose by more than twice that amount.

Corn, in particular, offers a potential for greatly expanding yields. Hybrid varieties have been adopted widely in Latin America, but the use of fertilizer and other improved practices has not been kept up, so that gains from hybrid corn have been quite limited. Greater use of fertilizer will be a key to increased crop yields in much of Latin America -- and in other parts of the world as well.

Also, land resources in Latin America are far from being fully utilized. Food and Agriculture Organization (FAO) estimates of world land resources place Latin America near the top of the list in availability of potential cropland.

The countries of Latin America need to continue expanding their food production in order to serve growing populations, satisfy a changing demand, and provide for export earnings.

- * Estimated growth rates indicate a regional population of 432 million in 1985 -- up from 315 million in 1974. Obviously, this prospect places heavy requirements on the food production industry.
- * Continued growth in purchasing power will bring an increasing demand for more and better quality food, especially animal proteins. Already in Latin America, there is a definite increase in consumption of meats, eggs, dairy products, sugar and vegetable oils.
- * Most Latin American economies are highly dependent on agricultural exports. Nations here will therefore want to emphasize export commodities as well as domestic food crops -- in order to maintain their economic growth.

In Rome last November, the U.S. delegation pressed the point that the basic long-term need is to grow more. You can talk about reserve systems and food aid commitments as long as you want to, and this will avail nothing unless the world's farmers find the means and incentives to produce more. In addition to research, technology, education and

credit programs, this will require government policies that encourage farmers to produce. Unfortunately, many government policies still act as disincentives to production -- in some cases limiting artificially the farmers' opportunity to profit and thus his desire to produce.

Since the World Food Conference, substantial progress has been made in building the institutions proposed in Rome. The practical results of the Food Conference cannot of course be assessed for several years -- as we measure the growth in production against the growth in populations.

The United States, meantime, is engaged in efforts, both bilateral and multilateral, to meet its share of the world food obligation. This involves both an increase in the short-term food aid program and full participation in longer-term planning through the United States organizations and other international groups.

In fiscal 1974, the U.S. Food for Peace Program (P.L. 480) amounted to \$850 million in commodity costs and a volume of 3.3 million tons. When the increased food aid decision was made for the fiscal year ending this month, we projected commodity costs at nearly \$1.5 billion and a volume of about 5 million tons. The budget projection was actually for a program cost of \$1.6 billion, including ocean transportation. However, we will not spend that much due to lower than projected commodity cost and some carryover of shipments into the next fiscal year.

For fiscal 1976, the budget presentation envisions a volume of nearly 6 million tons of food assistance if needed. With commodity prices at a lower level, however, food aid expenditures for that volume would be less than projected for this year.

We expect that the P. L. 480 program will be called upon to serve in stronger and more dependable ways if progress is to be made in meeting future world food requirements. Since 1971, the proceeds from the sale of Title I commodities in recipient nations are designated for economic and agricultural development to help these countries meet their longer term needs. The program may be further strengthened.

As for the problem of meeting longer-term world food needs, the United States has joined vigorously in follow-up activities to the World Food Conference. We have initiated discussions in the International Wheat Council to find ways of improving the world's food security system; a U.S. proposal was laid before the IWC in London at the end of last month, which would provide for a world network of reserve stocks to be held by individual countries as a protection against production shortfalls.

The United States is also prepared to adopt the objectives, policies, and guidelines contained in the International Undertaking on World Food Security proposed by Director-General Boerma of the Food and Agriculture Organization of the United Nations. In Rome last month we joined in a discussion of steps toward worldwide adoption of the Undertaking.

In the short term, world food prospects appear greatly improved. For the longer term, the world has the potential to feed much larger populations than it has now. The productive land area could be doubled were this really necessary. Average crop yields can be greatly improved.

In this century at least, the policies of governments rather than nature are likely to be the limiting factor in food production. It is essential that nations join together to share technology, encourage trade in products and in ideas, and to work against any revival of economic isolationism. We must abandon national programs built on a cheap food policy, and assure farmers a chance to make a reasonable profit. Then they will respond with increased production.

The world can feed itself -- if it has the wisdom to do so -- to make the right choices -- set the right priorities -- make proper use of its resources. That's the job ahead of us.

USDA 1861-75

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THE WORLD MUST TRADE

I am impressed at the economic growth in the State of Sao Paulo since my visit of a few years ago. There are qualities of energy and enterprise that are very impressive. There is a spirit of adventure here -- a feeling sometimes found in places where the frontier is not too old and not at all forgotten.

There is a saying about the settlement of the North American West that: "The cowards didn't start, and the fools died along the way." We have much in common -- Brazil and the United States -- despite the differences in our cultural backgrounds.

This is certainly true in agriculture. Our agricultures, in the United States and Brazil, have come by different routes -- to find in the 1970's that we have much of joint concern -- much reason to seek further cooperation in agricultural and trade development.

Until the middle of the 19th Century, U.S. development was inseparable from the European economy. Agricultural development followed traditions of the European yeoman farmer -- with a free-hold system operated by independent family units. From a system of small farmers we have gradually moved toward a larger-scale agriculture -- utilizing large machines and benefitting from economies of scale -- although still basically

Remarks of Secretary of Agriculture Earl L. Butz at a luncheon meeting of the American Chamber of Commerce, Sao Paulo, Brazil, June 24, 1975.

a family farm system. And from an agriculture that produced essentially for domestic use, we have come to an agriculture where almost one acre in three produces for export.

Agriculture developed along entirely different lines in Brazil, where there evolved a society of large farmers performing a major leadership role. Land holdings were larger, and the major crops were grown for export -- sugar, coffee, cocoa, and cotton. Ultimately, competition from sugar producers in the Caribbean stimulated the growth of a cattle industry in Maranhao and Para. And today, Brazil is diversifying and moving away from heavy dependence on coffee, sugar, and cocoa. This trend is reflected in the large increases in production of rice, corn, and beans. At the same time, Brazil is emphasizing soybeans, beef, and citrus products for export.

Notwithstanding the historical differences in development, Brazil and the United States have had and still have a major factor in common: Each of us is dependent on a healthy agricultural economy.

Each nation has immense agricultural resources and tremendous potential for growth. Each depends on its agriculture for major contributions to its international trade account. Each depends on agriculture to create millions of jobs on and off the farm.

Moreover, there is a growing trade interdependence between Brazil and the United States. There is a large potential for continued growth in agricultural trade between the two countries.

The value of U.S. agricultural imports from Brazil has more than doubled in five years -- to over a billion dollars in 1974. Sugar accounted for \$400 million of this and coffee another \$300 million.

U.S. exports of farm products to Brazil have more than tripled since the beginning of the decade. Actually, this gain took place in one year -- 1973. The big jump that year was in wheat -- due to crop shortfalls in many countries including Argentina, which was Brazil's major supplier. U.S. sales to Brazil declined in 1974, with a slackening of demand.

Still, Brazil imported \$240 million worth of U.S. farm products last year. Until 1973, this trade had never exceeded \$100 million. U.S. agriculture values this market, and looks forward to further market expansion as Brazil's population growth and urbanization continue.

The present rate of urban growth in Brazil indicates that two-thirds of its people will be living in urban-suburban areas in another five years. With rising incomes and changing tastes, Brazil's expanding urban population will represent a growing opportunity for the quality, convenience and dependability offered by U.S. food exporters.

We share many parallel interests with the Government of Brazil in the multilateral trade negotiations. Ours are both nations of continental size, where agricultural exports assume important shares of our trade total. Both of our nations are interested in lowering protective levels that work against our exports of foodstuffs. Both of us are interested in working toward a general liberalization of agricultural trade. In sum, major agricultural exporters, such as Brazil and the United States, have a particularly large stake in expanding world trade.

We are concerned about the directions that world trade has taken in recent years -- with trade preferences, and protectionism organized along regional lines. It is for these reasons that we set such store by the Multilateral Trade Negotiations. Those negotiations -- the first of a general nature since the Kennedy Round in the mid-1960's -- could well set the course of world trade for the remainder of this century.

The world we live in is increasingly interdependent. We in the United States are eager to work cooperatively with the Latin American countries toward solutions to our mutual economic problems.

We sympathize with the difficulties that developing countries face in adjusting to a highly commercial and industrial world. We seek an international order in which these countries gain new economic strength, but we see no stability in a world where countries or groups of countries try unilaterally to dictate the future.

Developing countries are seeking differential treatment on a variety of trade rules, including the use of export subsidies and immunity from countervailing duties. We believe that in many cases developing countries, especially Brazil, have an equal interest with developed countries in rules to reduce and eliminate barriers to trade wherever those barriers may be. We look forward to examining with Brazil the conditions under which differential treatment will be of real benefit to developing countries.

We also recognize the concern of Latin American countries that a general reduction in tariffs at Geneva might have the effect of eroding the margin of tariff preferences enjoyed by the LDC's under our own and other generalized preference systems. At the same time, the interests of LDC's may on occasion be better served by a reduction in most-favored-nation duty rates, and we want to examine those situations as well.

I am particularly interested in seeing world trade opened and expanded, with each nation free to seek its own comparative advantage in competition for world markets. The world needs to produce more and to trade more. There is no substitute for price competition which makes production serve the needs of the global consumer most effectively and most flexibly. Moreover, if the market is to receive the supplies it needs, the farmer must have an incentive to produce. Freezing production and trading patterns with ill-conceived trading arrangements would not provide the incentives or competition needed. Nor would such arrangements accord with the spirit of interdependence.

In the United States, we regard agriculture as a growth industry -- and we oppose devices that would limit growth. We think that any system which freezes trade would also harm our suppliers and our customers. After all, many of our customers are heavily dependent on U.S. abundance, and its continued growth, as we have seen so clearly in the past 3 years.

The generalized system of preferences is included in the U.S. Trade Act and we have supported it. The U.S. Administration also supports the Green Amendment which would give the President the option of opening the Trade Act's preference provisions to Venezuela and Ecuador.

We are interested in strengthening our bilateral relationships with the Latin countries -- in economic, scientific, and cultural areas. We want to work with these countries on trade policy. Our implementation of the Trade Act will take full account of Latin America's trade interests. The opportunity to trade is essential to economic development.

The negotiations in Geneva are highly important to a U.S. agriculture that draws a fourth of its income from exports. They are important to the long-term development of an industry that has become one of our nation's major strengths.

Why is it that so much is expected of U.S. agriculture? How is it that an industry involving one-twentieth of our people and creating one-twelfth of our gross national product should now assume such a vital world role.

An obvious answer is our enormous resource of fertile land blessed by a good climate. Another is that our farmers are served by a high-technology society prepared to provide the necessary inputs to a modern agriculture. Just as important, however, is the existence of an agriculture operated by independent farmers able to make the best possible use of the resources available.

We realize that around the world, differing economies and social situations have led to varying levels of controls over production, prices, marketing and exports. We have not always been free of government-administered controls in the United States. Nevertheless, the freedom

principle has been persistent. It has been confirmed in basic decisions by Congress and farmers themselves over the years. The agricultural laws enacted by Congress in this decade have been based on that idea.

The 1970 and 1973 agricultural laws have moved us away from government structures that too often inhibited change and reduced the ability of farmers to make decisions in their own interest. With individual commodity allotments no longer in effect for major field crops, farmers have now been freed to make desirable production changes. This is evident again this year as farmers respond to world needs.

Since 1973, we have removed about 24 million hectares from set aside -- equivalent to a one-fifth increase in land being cropped. By 1974, farmers returned to production around 14 million of hectares. This year, wheat acreage is up by almost one million hectares and soybeans will be increased by 1.2 million hectares, according to farmers' intentions. Feed grain acreage will stay about the same as last year. Cotton acreage is being reduced by 1.6 million hectares. In all of these crops, farmers are free to respond to markets as they see them. Acreage in food crops will be above 1974, and with anything like normal yields production will be up sharply.

As the world market for U.S. commodities has expanded, we have also acted to free our export trade. We have dispensed with such interference mechanisms as the export subsidies that had been in effect for many years. Except for the unfortunate restriction on U.S. exports of soybeans and related products for a short time two years ago, we have successfully avoided export controls. At the same time, we are intensifying government efforts to expand exports, through cooperative programs

that assist farmers and exporters.

Our efforts to expand U.S. agricultural exports are definitely an adjunct to domestic policy. On the other hand, our domestic programs permit farmers to respond to overseas markets as well as domestic. Price and income programs should not be used to introduce rigidities and unrealistic guarantees that price us out of the market or make necessary a new system of export subsidies.

In general, the U.S. Government has urged a freer flow of trade throughout the world, and the new Trade Act supports that goal. Not only is this a necessary complement to domestic policy, it is also in tune with a tradition of trade liberalism going back 40 years. With that in mind, we have three principal objectives in Geneva:

(1) While tariff reductions will obviously be a part of our effort, we will concentrate on the removal or reduction of non-tariff barriers. Of special interest during the negotiations will be export subsidies, quantitative restrictions and licensing systems, minimum import prices and variable levies. There is a long list.

(2) We will work to assure the success of the provision in the Tokyo Declaration that "co-ordinated efforts shall be made to solve in an equitable way the trade problems of all participating countries, taking into account the specific trade problems of the developing countries."

(3) We will continue to push for negotiations in which agricultural and industrial questions are negotiated together. A separate negotiation for agriculture would accomplish little in agriculture since the United States is a generally open market for farm products and we have few restrictions that we can use in bargaining.

The negotiations in Geneva are part of our overall effort to strengthen international trade in farm products. The World Food Conference concluded in November that trade will play an important role in meeting the world food challenge. It will also play an important part in the growth and future prosperity of U.S. agriculture. We think the same is true of Brazil's agriculture and the agriculture of the world.

USDA 1862-75



"REGULATORY RULE: DESPOT BY DEFAULT"

From the time shadows first fell on Medieval Europe's Feudalistic society until now, western man has searched for a better way of producing and distributing wealth. We have sought a method of sharing the combined productivity of our own amazing energies and the earth's limited natural resources.

Adam Smith, with his Wealth of Nations, published in 1776, proclaimed the advantage of "laissez faire" as a means of maximizing human satisfaction for the broader society.

Seven decades later, Karl Marx wrote Das Kapital, extolling the virtues of the other end of the spectrum: centralized state management of all resources and labor.

At both of these extremes, and all the way in between, various governments and various economic and social organizations have attempted to achieve Utopia. None has succeeded, though some have come closer than others.

It may not have been a coincidence that Adam Smith wrote his Wealth of Nations in the same year that young Thomas Jefferson penned the American Declaration of Independence. Both men were influenced by the same events of history, and both were formulating new and revolutionary ideas during an age of expansion and excitement.

Their works were two great landmarks in human history. Both documents were similar in that both proclaimed freedom -- one in the economic sphere and the other in the political sphere.

Clearly, political and economic freedom remain inseparably linked to this very day. It remains very difficult, if not impossible, to achieve political freedom without economic freedom, or vice versa.

It is not an accident of history that Americans enjoy the highest level of affluence for the greatest number of people known anyplace in the world. Ours has been a system of incentives. Ours has been a system that rewarded innovation, experimentation, new ventures and new investments.

Any individual with an idea, and the energy and gumption to produce and market it could have a go at business success. Some failed, but many succeeded. Accordingly, ours became the most viable, flexible economic system in the world.

Ours has been a system where relatively free prices in an open market have essentially called the signals. Ours has been a system where price signals motivated producers to increase or decrease their output; to shift production from product A to product B; to modify the character of their products, or to aggressively seek new markets.

Admittedly this system isn't perfect, and sometimes its judgments and actions are harsh -- but maybe in reality they are less harsh and more merciful than might at first seem.

If we want to hear about a "perfect" system, we can ask for a description from the theoretical analyst as he speculates on the efficiency of the all-powerful socialist state with central planning and central direction. Or, we might recall the "perfect" systems of Hitler's Germany and Mussolini's Italy where boasts were made that the trains "ran on time."

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The trouble with the state planner's Utopia is that something always goes wrong in practice. It doesn't get results. For example, in recent years socialist economies have been forced to introduce some form of incentive for individual producers in agriculture.

The Achilles heel of the Soviet's highly touted "Five-Year plans" has always been their inability to produce enough food.

The trouble with having the trains "run on time" in Germany and Italy was that the price was an enormous loss of personal freedom. The imprisoned, the executed, or the malnourished didn't really care whether the trains that carried the favored few pulled into the station on time or not.

We must never forget that individual human liberties are tied closely to economic freedom. Political freedom and economic freedom go hand in hand. They tend to associate in strength in democratic societies and to disintegrate in weakness in totalitarian societies.

You can guarantee the sort of political freedom granted in this nation's Bill of Rights only as long as you have rising affluence that is fairly well distributed among the entire population. This sort of distribution comes best with economic freedom: the freedom of choice to work and live as you choose; freedom of choice to teach your children and educate yourself in the manner most advantageous to your own particular situation; the freedom of choice in religion, political affiliation, occupation and friends. In no other nation of the world have so many been able to work their way up from the bottom as in this country.

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Yet today I see a frightening trend that is cutting short this wonderful economic flexibility and individual opportunity we have treasured for so long. The ill wind is a trend toward larger and larger, centralized government; the concentration of more and more power into one centralized location.

This is not coming about because of the wishes of some political despot, but rather because of the lackadaisical attitude that says government can do things better for the individual than the individual can do for himself.

That is dead wrong. We have to quit fooling ourselves about it.

There is no reason in the world to believe that a large, rigid bureaucracy can solve your own particular problems any better than you can. There's not even any reason to believe that it will even want to do so -- even if granted the power.

Government committee meetings won't drill through rock to reach new oil reserves. Government study groups won't build ships to take food to other people who need it.

Welders build ships. Farmers grow crops. Wildcatters find oil. Individual business people keep commerce rolling. Individual productivity -- not endless committee meetings and voluminous reports -- creates the wealth we all enjoy.

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There is a need for a responsive national government, and there is a need for some degree of government-monitored "rules" in commercial activities. But at some point government grows to the size and rigidity that it begins defeating economic and political efficiency. That is the danger we need to be aware of as we approach the next decade. Let's hope that George Orwell's 1984 is further removed than simply the nine remaining years until calendar year 1984.

President Ford began meeting with the Heads of all Independent Regulatory Agencies of the Federal Government last week to review their own activities in overseeing business in this country.

There is the growing feeling in Washington, as well as across the country, that regulation in many cases is becoming entirely too burdensome. There is a tendency on the part of regulatory agencies to proliferate regulation, rather than thin it out. Also, the regulatory process consumes entirely too much time and imposes far too much of a paper load on business and government alike.

President Ford has stated his intentions to lift the heavy hand of government from business so the free enterprise system can get a breath of fresh air and work better. He means it. He has also said that he believes one of the main themes in the coming 100 years of this nation's life should be a vigilance to preserve the freedom of the individual -- not forgetting that this was the driving force behind the birth of the nation 200 years ago.

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We should keep that in mind whenever we ask for more regulation for somebody else, because he may soon ask it for us. Besides, every risk we take out of the system adds to the cost, and not in money alone. A riskless society is a society without freedom.

When most of us think of regulatory agencies, we think of the most obvious ones or the newest ones. The Interstate Commerce Commission, The Federal Trade Commission, Food and Drug Administration, the Environmental Protection Agency or the Occupational Safety and Health Agency. Much of what they do is good; some of what they do is senseless and not worth the cost. But the routine regulatory activities of old line departments of government can be just as oppressive and potentially as damaging.

For example, in our own Department of Agriculture we have approximately 80,000 full time employees. All but 12,000 of these are in the field. Many of them are engaged in regulatory activities of one kind or another. They inspect; they grade; they license; they audit, and they investigate. Almost everyone of them is a loyal and dedicated American who does a fine job. They use discretion and honesty as their everyday work tools.

But by the same token, we cannot ignore the fact that 23,000 employees of USDA have the right to exercise some form of police power. Theirs is the power to help, to hinder, to encourage, to harass, to facilitate production, or to stop production.

An inspector on a food processing line, for example, can push a button to stop the whole assembly line because he's not satisfied with the amount of condensation on the ceiling. If he rose out of bed feeling a little bit grumpy, the condensation may seem more serious to him than otherwise, for obviously these are matters of degree and judgement.

If the plant manager gave him a choice parking place for his car, perhaps he is less concerned about the condensation than he should be -- less than if he has to walk across a muddy parking lot to get to work.

In either event, his decision to push the button and stop the processing line is his and his alone. It can be appealed, but meanwhile the line has been shut down for an hour and the cost of processing string beans or chickens, or whatever, has gone up that day. The income statement of the plant has been affected, so has the disposition of the owner, and so has the cost of the product you buy. Was it worth the cost? The regulator's judgment decides.

The tendency is to make over-compliance, not undercompliance, the rule of thumb. All this is reflected in the final cost of food or clothing. Multiply this by all the business across the country subject to government regulation and you can have a serious case of hardening of the commercial arteries.

Perhaps the most influential man in the Department of Agriculture is not the Secretary; it's the individual working down in the middle of some branch of some division of some agency who is writing paragraph three, Subsection C of a set of regulations under which a particular industry must operate.

In all likelihood this individual is conscientious and dedicated to doing the best possible job. But he may also lack a feel for what it is like to own his own business or to meet a payroll. This can make a difference in how he interprets the nebulous language of Congress.

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The end result is that the business operator finds himself saddled with a new set of operating instructions. He has to subject his business activity to periodic inspection for compliance. Once more he gets a whole new set of forms to fill out on a regular basis. Once more he finds it necessary to add a few new employees to do the new load of paperwork.

The big operator grumbles, but he takes it in stride. The small-to-medium size operator can't assume the added cost of more help. His wife or daughter struggles along with the forms for a while until, in an atmosphere of utter frustration and despair, the family tosses in the towel. They quit working at the family trade they liked, and go into something different. They become dissatisfied workers on somebody else's large, automated assembly line.

USDA's regulations are not isolated cases. Our regulatory programs don't stand alone in sometimes having undesirable side effects.

USDA is not an isolated Department within the government. The same sort of regulatory implementation takes place throughout almost every agency of government.

These are not regulations promulgated by vicious people, by incompetent bureaucrats, or by rabid social reformists. They are regulations brought about by that insidious desire all of us have to turn our particular problems over to someone else to handle -- and to put someone else "less conscientious than ourselves" under regulation.

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Right now there's a move afoot to start a new consumer agency with a proposed \$60 million budget over three years and a staff of 600 people -- to begin with. Yet every agency of government with whom I have any contact is increasingly aware of consumer interests, consumer needs, and consumer pressure. So is Congress. I question whether adding another layer of bureaucracy would bring the topic into any sharper focus -- or do much more for the consumer. It could simply tighten the noose of regulations in an over-zealous attempt of a new agency to prove that it has clout.

Our challenge in this nation is not to further gum up our free enterprise system, but to do as much as possible to make it work even better during the next 200 years than it has in the past two centuries. We all want to purchase as much as we can for every dollar we spend. We all want safety, convenience and service with every product we buy. But more bureaucracy can't -- and won't -- guarantee these things. In fact it would probably just add to the final cost, without having much meaningful effect on the end products.

Find a Russian consumer and ask her about the quality, the availability or the price of consumer items in a country where the state oversees all production of such items. See what she says. I bet it will be interesting, to say the least.

As long as fair competition can be made to prevail, the best regulator of the J. C. Penney store is that Sears store right across the street. If the prices rise in one, or if service and quality slip, the consumer shifts her buying ballot to the merchant who offers the most quality and service for the lowest price.

That's the sort of price ballot that has built this economy of ours. It's the economic ballot and regulator that has produced the highest level of living for the greatest number of people that mankind has ever accomplished.

Competition can set high standards of performance far better than costly government regulations will ever be able to enforce them.

No other economic system can match our own. No other system yet devised ever will. We have built our success in an atmosphere of economic freedom and political freedom. We should never forget that the two are so firmly wed that they are inseparable.

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Advance for Release at 6:30 A.M. EDT, Tuesday, July 15, 1975

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"PRODUCTIVITY"

Traditionally American farmers, given a job to do, go ahead and get it done -- with as little fanfare or discussion as possible. They unload the hay, then stop in the shade for a cool drink of water. They plant the corn, then sit back and take a day off.

American farmers get a lot done. They use every available tool of science and technology to make sure their muscle power and brain power produces as much as possible. This keeps America the best-fed nation on earth.

Unfortunately, not all American industries share these attitudes. Work habits have changed in many quarters. The popular method now is to stop by the office water cooler before the job is done, not after.

In some offices, both private and government, more time is spent in telling others what you are going to do and the method you will use, than in actually doing the task itself.

After completing the job, you spend another few hours reporting to your co-workers just exactly what you accomplished, how extremely important it was, and how efficient you were in doing it.

This is nonsense. It's part of what's weakening our strength as a vital, productive nation. Other nations are already beginning to out-produce some of our American industries. People in other lands haven't forgotten the work ethic, or the importance of industrialization and efficiency.

Address by Secretary of Agriculture Earl L. Butz before the Illinois Associated Press Broadcasters State Convention, Bloomington, Illinois, September 6, 1975 at 2:00 PM

Too many Americans today want to lie back and "let the other guy do it," or worse yet, "let the government take care of it."

It's time people having such attitudes took another look at what actually built this nation of ours -- what productive factor actually made this mighty transformation from the low level of production of 100 years to the affluent mode of living that we now have.

The answer is sweat. Hard work. Innovation and manufacturing -- capital investment and productivity by individual workers and institutions. This has been a nation where individuals have dedicated themselves to the pride of accomplishment -- not to "How much can I get away with," or "How much can I get the other guy to do for me."

It's popular today to stand back and say that the Americans of 50 or 100 years ago were too wrapped up in the work ethic, or that they were bent on "destroying nature rather than preserving it."

Those charges ought to be refuted vigorously.

Man, too, is a part of nature, and he sometimes has to alter elements of the environment in order to survive. He doesn't have the sharp claws of a bear with which to kill his food. He doesn't have the long talons of an eagle with which to carry game back to his young.

Man has only his wits and his brain, his ambition and his will to work. Without those, he is finished.

(more)

Americans, until a very short time ago, didn't have to worry about "getting back to nature." They were involved in it everyday -- in the most elementary fashion. They had to struggle to survive. We were a developing nation, with only our courage and our personal energy to drive us to today's greatness. The "environment" was not just a slogan, or a pleasant walk along a well-groomed hiking trail, or a day at the beach with a quick drive up to the taco stand for lunch.

The "environment," to the settlers and early industrialists of this nation -- the people who produced so much of the wealth that we still enjoy -- was an environment of untamed forest and prairie. It was an environment that needed man's mind and man's energy to bring the fruit to bear. America was a land of raw potential and with much promise, just as many developing nations of the world are today.

Pioneer life was a sod hut; it was dry withering winds that aged your skin and wilted your crops. It was a flash flood that could wipe out a year's food production in one night. It was rugged stretches of mountains or forests without roads or communication. It was two days by wagon from the farm to the nearest doctor who could set a broken arm or leg -- using ineffective antiseptics and no anesthesia.

The Americans who lived in that environment knew what untamed "nature" could mean. They knew the brute strength of the elements, and what a tenuous position man actually holds on this earth. They knew about the necessity of industrialization, and they knew what the work ethic was all about.

But today, industrialization and modern agriculture is under attack. The work ethic is laughed at as old-fashioned.

But those who are doing the laughing are laughing a little early. The work ethic is not yet out of date; neither are technology nor industrialization. They are not going to be. Our lives and our civilization are not quite as snugly assured as we would sometimes hope. All we have to do is quit working, or throw away our science -- and our national wealth will dry up pretty fast; our individual comforts will disappear pretty quickly.

Everyone of us must recognize that if we are going to have more, either as individuals or as a nation, then we must produce more. It is as simple as that. No one else is going to do it for us. Nature guarantees no species a free living without effort -- and mankind is no exception.

Or, on an economic level, simply looking to Uncle Sam for bigger pieces of pie only obscures the fact that what we really need is a bigger pie. Uncle Sam cannot bake that bigger pie; only individual productivity can do that.

If you want an idea of the sort of productivity I'm talking about, look at the American farmer. Output per man hour on farms is 3 times higher than it was 20 years ago. Output per man hour in manufacturing is only 1.8 times higher than it was 20 years ago.

The difference has come from capital investment, hard work, and individual productivity. American agriculture has not resisted mechanization. It has not resisted the more efficient utilization of labor. It has not resisted the application of scientific and technological developments.

(more)

The American farmer does not stand by the water cooler bragging about yesterday's accomplishments while today's work goes undone. He now works to produce more than ever before -- in a world that needs his products more than ever before.

The family farmer of America has not learned to punch the clock at 40 hours. He has not learned to go to the barn and say, "Look, Bossie, I'm going to be gone over the weekend; let's shut it off for three days."

The family farmer has not learned to put two drivers in the tractor cab -- as is the case of some of the locomotives that go through this state.

It's time the rest of America regained her senses with respect to productivity. We are affluent only because we have worked. Our incentive system is still right, it still works. The idea of a day's work for a day's pay is still valid.

Call it the work ethic, call it old-fashioned, but the answer is simple. We get only what we work for and what we produce. That's all there is; there isn't any more.

The old philosopher was right: THERE'S NO SUCH THING AS A FREE LUNCH.

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Advance for Release at 6:30 A.M., EDT, Saturday, Sept. 6, 1975

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'ENOUGH'

Two hundred years ago an extraordinary thing happened. A small group of men stood together here on this continent and said, "Enough."

After eons of primitive tribalism, of silent subservience to monarchs and patriarchs, these men stood alone, unaided by custom or tribal consent.

Their message was simple.

"We are individuals," they said. "We have inalienable rights. We are rational beings with the ability to think and to reason. We are responsible for our own lives and we shall rule ourselves."

Those were earth-shattering pronouncements. Adherence meant the beginning of the end to serfdom and slavery. It meant the beginning of the end to the sort of mindless arrogance that could send a pauper's head rolling before the guillotine for no other reason than vindictive whim. It meant the beginning of the end to the sort of senseless mysticism that could send thousands of human beings to be sacrificed before the primitive priests' temples.

But that initial stand was only the beginning; the battle goes on. The opponents of individualism and economic opportunity are tough. During the first half of the twentieth century in Soviet Russia millions of people were either shot or sent into exile -- because their thinking did not square with the leaders' wishes. In World War II, 6 million Jews were forced into the gas chambers of Nazi Germany -- because their religion and genetic makeup were not what Hitler had in mind for his "master race."

Address by Secretary Earl L. Butz before the Carolinas District Kiwanis Convention, Royal Villa, Raleigh, North Carolina, September 11, 1975 at 8:00 PM

In 1975, the entire population of Phnom Penh, Cambodia, was ordered into the countryside away from their homes and businesses -- so that the "social restructuring of the society" could begin. How many will be able to go back, no one knows. How many can never go back no one knows.

In this country we have been spared such national horrors -- because Americans, from the Revolution on, have held that they are responsible for their own lives, their own choices, their own economic activities and their own destinies.

This individual integrity has remained the fine, delicate line between personal liberties and dictatorship, between our free way of life and totalitarianism.

But today we worry. We worry about the heart of America; we fear that we see the thread of freedom beginning to quiver.

We think it weakens not from our conscious choice, but from neglect. Freedom can be lost more easily through default than by direct attack, and we are defaulting each time we demand more government services.

In one form or another, government already takes one out of every three dollars we earn as a nation. It digs into our pocketbooks that deeply, yet we continue to demand more government programs, ignoring the rapidly mounting costs. We also forget that each time we ask government to take over one more of our personal responsibilities, we have lost that much more freedom of choice as individuals.

Today there are federal programs to determine the course of education in all the states, to oversee the production of consumer products, and to guide economic activities.

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The attitude seems to be, "let Uncle Sam take care of it; let the government decide. What can I do; I'm only one individual." We hear these cries everyday.

These are frightening attitudes that every American should stop to examine -- before we get ourselves into deep trouble.

Every time we rely on the government to make another personal choice for us -- to decide what sort of programs should be shown on prime time television, to specify what size cereal boxes breakfast food manufacturers should use, or when we should fasten the seat belts in our automobiles -- we are voluntarily giving up one more individual responsibility.

Individually these small freedoms don't sound like much. What does it really matter that there is a buzzer or a flashing light in my car to tell me to fasten my seat belt, or a special electrical circuit that will keep me from turning on the engine until my shoulder harness is fastened, even when I only wish to drive the car into the garage?

But that buzzer, that warning light, that special electrical circuit all cost money. They cost the manufacturer, and they cost the consumer.

Even more significantly, individuals have no choice in the matter. Such equipment is now required by law. Not to install it is to break that law. In the past few years we have added hundreds of such laws, covering all phases of our lives. We are strangling ourselves in red tape and regulations.

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There are enough little-known laws on the books in this country that if rigidly enforced, would make criminals of every one of us.

Administered with common sense and justice, this maze of self-imposed restrictions is innocuous, but administered by someone wanting to apply pressure on a particular individual or on a particular business -- these laws are dynamite. They are a far cry from the simple system of self government and economic freedom that our founding fathers fought so hard to establish.

In addition to transferring power from the individual to the state, one of the most immediately frightening things about today's preponderance of regulations and laws is the way they affect our economic system.

Over-regulation is strangling our ability to produce.

Our free economy is no longer free. Our capitalism is no longer capitalism; it is a weakened mixture of government regulations and limited business opportunities.

The argument is heard that business has become too big, that a few companies have gained control of too many different enterprises. This, the liberals say, is the reason we must have more restriction on free enterprise, more and more economic interference from the government.

They would replace economic competition with political competition.

Yet when you look at the facts, government interference more often hurts the small businessman than the huge corporation.

The huge manufacturer, the large retailer, or the chain stores can hire a crew of lawyers to work within the added regulatory pressures; they can hire a lobbyist to fight their battles in Washington. The Mom-and-Pop stores can't afford such luxuries. Maybe the wife or daughter attempts to struggle along with the ever increasing load of government forms they receive each month, or perhaps Pop goes to the local tax accountant who turns out to be equally puzzled by the whole affair.

Finally, the family gives up. Government regulations force them to throw in the towel. Competition couldn't make them do it, but ill-founded government restrictions can -- and do.

This is the damage we are doing to our free enterprise system, to our system of personal decision-making, when we turn to government to dominate our lives and carry out our individual responsibilities.

The best regulator of any business is competition. The best assurance the consumer can have that Sears' merchandise is a good buy is the J. C. Penney store right across the street. If one store gets very far out of line, the buying public quickly shifts its business to the other.

The best way to see that big business serves its customers efficiently is to assure freedom of entrance into every type of business venture. If a single proprietor thinks he can out-compete the big guy in a particular line of business in a particular location, more power to him. Don't hold him back by burying him in paperwork, or with regulations that stifle his ability to compete.

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Suppose a man and his wife want to open a small hardware store. They can't do it if local property taxes get too high, or if OSHA requirements get too stiff, or if the EPA doesn't like the garden chemicals they sell, or if the ICC doesn't allow the long-haul trucker to stop at the back door to deliver. Our friends are out of business before they even get started.

The quality of their service, their willingness to compete, or the needs of their customers mean nothing. Their choice -- and the choice of their customers -- has been arbitrarily taken away by a political decision made in Washington or at the state capital.

Political decisions will have replaced economic decisions -- and, sadly enough, many people will not even be aware that it has occurred. Instead of demanding less regulation to correct the injustice, they will blindly demand more -- and the thread of national freedom and vigor will weaken another step.

Instead of letting this continue, we should all stop to take a good hard look at what our system of free enterprise and representative democracy has already managed to accomplish.

It has distributed more wealth to more people than any other economic system has ever managed to do.

It has shortened the average work week to less than 40 hours for most Americans, giving them more time for leisure, education, and enjoying family, friends, and life in general.

It has conquered polio, measles, mumps, diphtheria, and most other childhood diseases.

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It has raised the life expectancy at birth from 47 years at the turn of this century to 71 years today.

It has given Americans more comforts than the world had ever before dreamed possible: indoor plumbing, sanitation, central heating, innerspring mattresses and air conditioning. Eighty percent of all American families own cars, 30 percent own two or more. Ninety-six percent have TV sets. Seventy-two percent own washing machines. The list goes on and on.

We are a rich nation.

We are rich because we have always believed in our ability to take care of ourselves, to work hard to produce the things that we need and want.

This is in direct conflict with thinking that says the individual is weak, that he is largely unable to care for himself, that what happens to him is beyond his individual control.

Those are the negative attitudes that call for more and more government regulation of private enterprise and private lives. They are the philosophical weaknesses that the United States Declaration of Independence sought to overcome. They represent the faltering faith in individuals which kept mankind chained to feudalism, serfdom, and to the depths of collective poverty for centuries -- rather than allowing him the freedom to take advantage of the wealth that can be created by individual incentive and individual opportunity.

It has been two hundred years since the first small group of Americans stood up to these perversions and cried, "Enough."

It's time to do it again!

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Statement of the Honorable Earl L. Butz
Secretary of Agriculture
before the
House Agriculture Committee
September 18, 1975

When the credits are handed out for pulling our economy out of the doldrums this year, the American farmer will rightfully be first in line, first among few, in fact.

Doubts have been raised over whether some others of us can still hack it in today's world. Detroit worries about its ability to compete in car making. Washington agonizes over how to get people to save energy and rely less on foreign oil. New York can't muster the discipline to save itself from financial humiliation.

Meanwhile, the farmer has been busy working. And now the results of his efforts are becoming apparent: Record production and a new all-time high in productivity for American agriculture. Here's the acid test--the farmer's output per unit of input (labor, fertilizer, land, etc.). It will be 1 percent above the previous records in 1971 and 1973, and 7 percent above 1974's showing. This is how to fight inflation.

Record crops are like a chain reaction in boosting employment and investment, requiring more harvesting, storage, and transportation inputs. The brisk sales of our agricultural products abroad give a boost to our balance of trade. Farm exports this fiscal year may reach a new high in value, while agricultural imports will be down a little, thus providing an agricultural balance of trade of over \$12 billion on the positive side.

Sept 18

Agriculture's earning power is also perking up. Even with the bumper harvest prospects, farmers' prices are responding to increasing consumer demand and foreign sales. These developments will give us a 1975 realized net farm income in the mid-twenty billions of dollars. That's still a little below last year, but the third highest on record.

We have adjusted our forecast of food price increases for 1975 up a little since last spring. Then we were predicting a 6-8 percent increase on average for 1975 over 1974. Now it looks as if it may be at the top of that range, and perhaps a bit higher. I will go into this further in a few minutes.

The reason for the food price adjustment? Mostly, it's traceable to lingering effects of last fall's weather-plagued short crops, to rising marketing costs, and the recent stimulus in consumer demand as a result of tax rebates and the prospects for economic pickup generally this year. The sale of grain to the Soviet Union is a minor factor.

As you know, we are having talks with the Russians over their becoming a steadier buyer of our farm products. If those talks are successful, farmers will be helped immeasurably in making production and marketing plans.

I fully support those talks; our farmers must have firm markets and must make more money in order to meet rising costs. Farmers can become just as nostalgic as others in thinking back to the days when a gallon of gas or a hamburger cost a quarter, when a good new car cost \$2,000. But just as farmers do not expect a return to those conditions, neither should anyone else expect to see corn again at a dollar a bushel.

U.S. Crop Prospects

Feed grain production may total a little over a fifth larger than last year's drought-shortened crop of 165 million short tons, despite this summer's drought in the western Corn Belt. We feel certain that feed grain production this year will be large enough to provide for some expansion in domestic feed use, much larger exports, and at least a moderate increase in the carryover by the end of the 1975/76 marketing season.

Corn prices in the 1974/75 marketing year which is now drawing to a close will average about \$3 per bushel. Rising feed prices, poor feeding margins early in the season, and poor harvests on corn-hog farms last fall--which reduced farrowing plans--combined to sharply reduce the feed demands for grain. Exports of corn declined during 1974/75, but stayed above 1 billion bushels for the third straight year. Recent sales to the USSR for delivery during 1975/76, and tight supplies, have strengthened corn prices this summer--even though the corn crop is expected to be more than 1 billion bushels larger than last year's small harvest of 4.6 billion bushels.

The 1975 wheat crop will top 2.1 billion bushels, more than 300 million bushels larger than last year's record crop. Thus, wheat supplies in 1975/76 will be substantially above last year and the largest since the early 1960's. The larger crop this year will provide enough wheat for domestic needs and still allow for sizable additional sales of wheat abroad, including export sales to the USSR.

The 1975 soybean crop could exceed the weather-reduced 1974 crop of 1.2 billion bushels by 200 million bushels or more. A moderate increase in domestic crushings is expected during 1975/76 as livestock production increases. Also, some increase in exports seems likely. But there likely will still be a continued buildup in carryover stocks by the fall of 1976.

Farmers' soybean prices for the 1974/75 marketing year just ended averaged above \$6 per bushel. This compares with about \$5.70 during the previous year. Soybean prices held up even though 1974/75 exports were off about a fifth or more and domestic crushings fell above 15 percent.

Livestock, Poultry, and Dairy

Meat and poultry production has been down so far this year, reflecting the short 1974 feed crops, high prices and generally unfavorable feeding margins late in 1974. But the situation changed this summer, and will likely improve further this fall. Livestock and poultry feeding margins improved this summer as prices of livestock and poultry increased in response to reduced output. Broiler producers have already placed more chicks for fall marketings, and the supply of beef coming to market during the next few months likely will be larger than it has been this summer or in October-December 1974. However, all of the increase in beef production is coming from cattle moving off grass directly to slaughter. Fed cattle marketings will remain relatively low. Pork production may inch up seasonally this fall, but remain well below year-earlier levels.

Fed cattle are now selling for about \$49 per 100 pounds, down several dollars from the midyear high. But even with larger beef and broiler output, fed cattle prices will retain much of that strength this fall, possibly averaging in the mid \$40's. Hog prices could decline this fall from the summer average of around \$58 per 100 pounds, but any declines will likely be small and prices will probably remain at least \$15 above last year's fourth quarter average of \$39. Despite expected larger cattle marketings, a continued low level of pork production during the next few months will help bolster prices of livestock this fall and winter.

Milk production fell below year-earlier levels this summer. Reduced feeding of grain brought a decline in output per cow. Improved milk-feed price relationships later this year and greater availability of home-grown feed could lead to a resumption of more normal gains in output per cow. The slow downtrend in milk cow numbers is expected to continue. Accordingly, milk production may begin to show some gains over levels of a year earlier.

With the summer cut in milk production, wholesale prices jumped, the government purchases ceased and butter was sold back to the industry at market prices.

Farmers averaged \$8.47 per 100 pounds of all milk sold in August, up 53 cents from the June low and 73 cents above last August. Farm milk prices likely will rise seasonally during the rest of 1975 and remain above year-earlier levels. Dairy ration costs reported for mid-August averaged around a tenth below a year ago.

The World Situation

The world outlook is for a grain crop (excluding rice) of about 950 million tons--3 percent above last year but below our earlier expectation and below the record 976 million tons harvested in 1973/74.

The effect of all this is to frustrate hopes for a recovery in world grain stocks at the end of 1975/76. While stocks should enlarge considerably in the United States, other countries will likely draw down their own stocks during the season.

Rice production prospects appear to be brightening. The world may produce about 5 percent more rice in 1975 than it did in the record 1974 year. The monsoon season in Asia, the world's rice bowl, has been favorable. It appears that much of the increased production will be in South Asia and East Asia, particularly India, Indonesia and Bangladesh, where it is needed the most.

Trade will increase in the year ahead--due mostly to increased import requirements in the Soviet Union. Part of the estimated increase in Soviet needs is offset by prospects for lower imports by other countries, such as the People's Republic of China. Also, there probably will be more **grain** to export from other exporting countries--Canada, Australia, and Argentina. Nevertheless, the United States will supply the bulk of the increase in world grain exports.

Overseas sales of agricultural products have been important to America for over 3 centuries. Today, they are more important than ever. Our farmers have built a large and efficient agriculture based in considerable part on export markets. They were asked this year to produce all-out--to meet the needs of overseas markets as well as domestic requirements and an increased level of concessional sales. They have responded with record or near-record crops. They need markets for this production, and that means exports. If they are not allowed to make full use of overseas marketing opportunities, they will not have the incentive--and the financial ability--to produce big crops next year.

U.S. Exports and the Soviet Buying Situation

We are estimating total grain exports (including rice) at between 74 and 87 million metric tons--against a production of 248 million tons. The share of our production going into exports is very close to what it was last year and in other recent years. We will export between 53 and 63 percent of our wheat crop this year, compared with 58 percent in 1974-75 and 67 percent the year before. We will export between 22 and 26 percent of our feed grain crop, compared with 24 percent in 1974-75 and 22 percent the year before. Thus, while we are exporting more this year, our larger harvest will more than take care of that increase. We will, therefore, have larger carryovers at the end of the marketing year.

Our estimate of grain exports this season is somewhere between 7 and 20 million tons above last year. Crops will be larger by 42 million tons and supplies (production plus carryin stocks) by 36 million tons. Stocks at the end of the marketing year--a year from now--will be increased by 8 to 16 million tons over the 21 million tons recorded this year.

These export estimates allow for additional purchases by the Soviet Union. The Soviets have purchased so far this year 4.2 million tons of wheat, 4.5 million tons of corn, and 1.1 million tons of barley. In addition, there is a half million tons of corn and wheat outstanding from purchases last October. The new sales were no great surprise.

We expected the Soviets would buy grain from our 1975 crops, particularly feed grains and some high-quality wheat. We also knew early this year that Soviet spring grain prospects were declining, and we reported this fully.

We are now projecting the Soviet Union's import needs at about 25 million tons of grain and their own output at 175 million tons. We believe that so far the Soviets have purchased between 17 and 18 million tons in the world market, although I cannot document all of this. But we believe there have been some Soviet purchases -- perhaps from Canada, Australia, Argentina, and Brazil -- beyond the 15.2 million tons that exporters here and in Canada and Australia have made public.

A. U.S. team has just visited Moscow with the aim of regularizing Soviet purchases in this country in the years ahead. The USSR has been a fairly stable market for U.S. corn the past three years. Wheat, however, is another matter: The Soviets have been very uneven in their purchases of U.S. wheat. We hope that purchases can be evened out from year to year. Even so, the new Soviet purchases come in a year in which we have plenty of grain. It is well within our capability to make further sales to the Soviet Union.

Any sales -- to the Soviet Union or to anyone -- provide a supportive pressure to the market. This is true of grains as it is of kumquats, garbanzos, and automobiles. In some cases, additional sales may cause prices to rise. In other cases, they may prevent prices from falling as far or as fast as they otherwise would. They may prevent prices from falling to a level that would discourage production the following year.

We are predicting that season average prices for grain will be lower this season as compared with the year just past. The price decline at the farm gate will not offset as much of the rise in labor and other marketing costs as we might otherwise expect. Therefore--while it is accurate to say that food prices will be slightly higher with the Soviet sales than they would be without the Soviet sales--it is an extreme exaggeration to say that selling to the Soviets is the cause of rising food prices.

Even with further sales to the Soviets, we still expect grain prices in the year ahead will be slightly lower than last year. Marketing costs, however, will continue to rise--no matter what happens to commodity prices.

It should be recognized, too, that the 10 million tons of U.S. grain already contracted by the USSR have been built into our estimates for some time. They are built into export estimates and consumer price estimates. Therefore, the July sales should not be blamed for additional food price impetus beyond what had already been predicted.

U.S. Farm Income Prospects

Although the cost-price squeeze on farmers substantially reduced realized net farm income early in the first half of 1975, prospects in the second half have improved. Strengthening prices for hogs, poultry, eggs and milk, as well as higher prices and larger marketings for cattle, will bolster livestock receipts in the second half. Crop receipt prospects have improved materially as strong foreign and domestic demand, coupled with some deterioration in otherwise bumper crop forecasts, are pushing farmers' prices higher. For 1975 as a whole, a small decline in total cash receipts in contrast to further increases in production expenses may leave realized net farm income in the mid-\$20 billion range, compared with \$27.7 billion last year.

Food Prices

After 2 years of rising retail food costs, there was a virtual halt this spring. The increase at retail food counters for the second quarter was only 0.5 percent, the smallest quarterly rise in nearly 3 years. This was overshadowed by a larger increase in the past 2 months. The timing was coincidental

with the reports of grain sales to the USSR. It wasn't cause and effect. Price increases for livestock products appear to have simmered down, but average retail food prices for the third quarter will probably run 4 to 5 percent above April-June levels.

This fall, a number of things point to a bit more price strength, including strong world demand for U.S. crops and increasingly solid prospects for improvements in the domestic economy. However, larger market supplies are expected for beef and poultry as well as fresh fruits and vegetables. These larger food supplies could bring some price declines at retail for some products in these categories. In fact, the more abundant supply picture is likely to quell the advance in retail food prices for the fourth quarter. But the farm-retail spread, which was compressed earlier in the year, is likely to widen this fall due to increased costs of labor, transportation, and energy.

Looking at 1975 as a whole, with per capita food supplies down 1-1/2 percent from last year, retail food prices may on average be up about 9 percent. This forecast includes an allowance for the grain purchases by the USSR which were estimated to boost the overall level of food prices for the next sixteen months by something less than 1-1/2 percent above price levels that would have existed in the absence of the purchases. Much of this impact would come in late 1975 and early 1976. Our conclusions suggest that the overall effect of the USSR purchases made thus far will not seriously affect U.S. retail food prices or materially alter the adjustments underway in the livestock industry.



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"SLASH AND BURN ECONOMICS"

To the farmer, used to dealing with the straight-forward world of profit and loss, government financing seems vague and unsettling. If he thinks of it at all, he puzzles a bit, swears a little, then turns his mind back to something more immediately productive.

Government spending is indeed covered by a cloud of smoke -- with many politicians continuously throwing green wood on the fire to keep it that way. Some people in Washington don't want the economics of federal spending to be any clearer. They don't want to admit that every ledger sheet -- including a government ledger sheet -- must have a bottom line where profits and loss can be measured, where costs and benefits can be compared, where the determination must be made as to whether the expenditures in question are actually worthwhile.

Money spent in government should have to meet the same sort of financial scrutiny applied to private industry. But in government the measure of performance is often fuzzed over with high sounding statements of justification without any hard figures of value. The question is often avoided of whether a given government program actually does the job it is intended to do, or costs more than it benefits.

It's time to start asking some hard questions about these matters -- and getting some serious answers. The citizens of this nation need to inspect more closely how their government spends their money.

Address by Secretary of Agriculture Earl L. Butz before the Inland Daily Press Association of Chicago, Chicago, Illinois, October 21, 1975 at Noon.

Professional communicators, such as this group, can help. You can help make sure your readers and viewers have the facts and the economic literacy to ask the right questions and then to get the right answers.

How much government is too much? How many government programs are too many? How much government spending is too much? Perhaps we have already passed the break-even point. We can't afford to continue on our present national course of unlimited spending without figuring the costs. Our productive strength as a nation is at stake.

Long ago American farmers gave up the process of slash and burn farming, a primitive method in which new land was cleared, cropped intensively without care, then abandoned as productivity waned. But today we see the same sort of wasteful principle at work in our open-ended approach to federal budgeting.

The huge, federal deficits advocated by the big spenders are slash and burn economics. They often ignore damage done to individuals or private businesses by such policies.

Where is the added money for additional or expanded government programs to come from?

Should the government simply create more money in order to meet its growing debts? If so, what happens to the value of the dollar bills already in the taxpayer's pocket? We've seen what happens -- Inflation!

Should the government go to the financial markets and borrow more capital? If so, where does industry get the financing it needs in order to invest in the machinery and plants that make jobs?

Should the government tax the individual or the corporation more heavily?

If so, what happens to the incentives of the people and businesses forced to cough up the added cash?

It is dangerous to tax away the financial strength of a productive society simply to support an ever larger federal government -- so that it can spend more and more money with little or no effective measure of performance.

Too many Americans are currently being lulled into believing that a strong, centralized government is the answer to all financial woes, that somehow government is wiser than the combined judgment of its citizens. Yet last June 30, when the United States Government closed its books for the fiscal year, it recorded its 15th deficit in the last 16 years. It spent more money than it took in. It produced many services worth less than they cost, which citizens, as a group, probably would not have opted for if they had been given a choice.

The recent growth in federal spending has been frightening. It's a rolling snowball that has suddenly picked up speed and size until it threatens to become a full-scale avalanche.

As a nation it took us over 180 years to reach our first \$100 billion federal budget, in 1962.

Nine years later in 1971 the federal budget rolled past the \$200 billion mark for the first time.

Last year it topped \$300 billion. In one more year, only stringent budgetary restraints will keep it from going over \$400 billion. At this rate, how large will government expenditures be in 1978, or 1979, or 1980?

It is against this background that the President has recommended a \$28 billion reduction next year in the normal growth in Federal expenditures, with a corresponding \$28 billion cut in taxes, and a \$395 billion cap on the total Federal budget.

Something has gone wrong. This nation must regain some sense of fiscal responsibility, and it must regain it quickly.

The best way to do this is through increased economic literacy among America's people. Good government based on sound economic policies doesn't begin in the nation's capital. It begins right here in the countryside. In Centerville, in River City, in Des Moines, in Wichita and Waco. Individual voters put Congressmen in office, and individual voters keep Congressmen in office. Individual voters, and their organizations, make their wants known to their Congressmen and Senators. Those same Congressmen are the ones who vote economic policy into being. This means the nation's economic policies can be controlled through the political process, but first, voters have to understand the economic system in which we live. They must understand THERE'S NO SUCH THING AS A FREE LUNCH.

Those of us who are communicators, opinion-molders, and issue-analysts have been less than adequately effective in raising the level of economic literacy of the American people.

Too many of us try to make something profound out of the subject of economics, which is essentially simple and can be easily understood.

Too many of us portray the American incentive system as some kind of vicious monster, so hell-bent on maximizing profits that it rides roughshod over Mr. & Mrs. Average Citizen.

Too many of us are swept away by the sensational headline and the irresponsible charge and countercharge -- consequently, we lose sight of the chief reason that America has become the world's strongest, most productive nation, the one with the highest level of living anywhere.

America has reached its position of economic world prominence because we have always been an incentive-oriented society -- a society in which government promulgated and enforced the rules of the game, but let the individual play the game. Now it seems, some would have us change the rules and make government the star player as well as the referee. When that happens, we no longer have a free society; we have a socialist society in which business and individuals play second fiddle to the state -- and the incentive system is severely hobbled.

Such an occurrence would be an American tragedy of the highest order. Our incentive system has been the very foundation of our economic strength and of our personal freedoms. It has been primarily concerned with producing PLENTY. In sharp contrast, the socialist systems are primarily occupied with equitable ways to distribute SCARCITY.

Those of us in communications have failed to underscore the importance of profit as a factor in encouraging increased production -- whether that profit be a reasonable return to business enterprise, a promotion for an individual, or a wage increase for a union of laborers. The fuel for production is profit; we should never forget this.

PROFIT is not a four letter word.

It is out of the private sector that we pay wages, we pay taxes, we make capital investments, and we fill and refill the coffers of government.

Private enterprise is the engine that powers government -- not the other way around. Without profits, to keep business going, and to spur expansion and production, our economy could not provide the vast array of government benefits. Without profits, our economy would be hard pressed to provide decent levels of public education or charitable undertakings.

These are essential economic facts which we often fail to underline when talking about current events. These are essential economic facts that the Body Politic often ignores when it opts for growth of the public sector at the expense of the private sector.

Too often we criticize the congressman or the legislator for unsound positions. We should recognize that no elected representative can get very far ahead of his constituents, especially on emotionally explosive issues. A representative often finds it difficult to make sound economic decisions unless he has the backing of the voters who have elected him. This often requires a higher level of economic literacy among the electorate than prevails currently.

Professional communicators, whether in government or in the private sector, can help to better this situation. They can communicate economic facts plainly, by blowing away the smoke that so often clouds public issues. They can dig to find the facts, rather than simply fanning the fires of emotion.

Take the matter of last year's Trade Bill. Our nation desperately needed new legislation to enable the President's representatives to bargain freely with other trading nations to reduce trade barriers. Yet the needed legislation got through Congress only after many costly delays, and then in a form so crippled by irrelevant amendments that they seriously impaired this country's bargaining posture in the forthcoming trade talks.

Why did such a thing happen?

It happened because the economic truths of the trade issue were lost in political rhetoric. The American public became confused because they did not understand the economics of the situation.

Somehow the feeling was passed to them that increased trade, especially imports, was bad; that somehow America could escape the economic problems of the rest of the world by shutting our doors to trade.

At the same time, the idea was established in the public mind -- primarily by a few special interest groups -- that any increased exports of American grain would serve only to increase grocery prices here at home. Yet in the long run context the exact opposite is true.

Farm exports strengthen our currency and make consumers' dollars worth more, not less. Farm exports enable consumers to enjoy the vast array of goods imported from abroad. Farm exports enable our farmers to go for all-out production, fully utilizing their land, labor and machinery -- lowering the per unit cost of food, instead of making it more expensive.

Similar emotional clouds confuse many of the important issues of the day. It is the duty of professional communicators, whether in government or private enterprise, to help dispel those clouds.

Take the energy issue. Increasingly we import our energy from abroad at high prices, while at the same time we insist on keeping prices artificially low to domestic energy producers. This means American energy producers can't afford to drill the new wells our nation needs. They can't afford to develop the new sources of energy we must have if we are to be free of foreign cartels or manipulators.

We not only make ourselves liable to the whims of foreign producers by out-dated energy policies; we also export thousands of jobs overseas each year -- at a time of high unemployment here at home. And we're paying exhortitantly high prices for the growing share of our energy we import.

The short term politics of the situation have dictated unsound economics. Having cheap, domestically produced, natural gas and petroleum today means less domestically produced natural gas or petroleum tomorrow. Artificially cheap fuel today means shivering in the dark and eating cold beans tomorrow.

I am more convinced each day I spend in Government that the most profoundly limiting factor in sound government is the low level of economic literacy among the electorate. Such a deficit makes a fertile field for the political demagogue to stir -- raising a dust cloud to blind the public and lead the nation into counterproductive policies.

Choking the financial life from our free enterprise system through excessive government spending is not sound government. Our individual incentive system has been the traditional source of the golden egg we call the American Way. Our incentive system has worked better than any other economic system to raise the lot of the common citizen. It has done so through producing a larger economic pie, from which each of us can cut his own productive share.

We must preserve and strengthen that system. Opinion-molders and communicators should never miss a chance to raise the level of economic literacy of the electorate. Good government depends on it. Our national well-being depends on it. So does our liberty and our personal freedom.

These are stakes worth fighting for. We've had enough slash and burn economics. It's time to turn back to the incentive system that has served us so well for two centuries.

USDA 3027-75



"AGRICULTURE -- ECONOMIC BACKBONE OF AMERICA"

The real significance of agriculture in America is its total contribution to our national economy.

This has not always been well understood. For too long many Americans have been hung up on the production side of farming while paying too little attention to the marketing side, and almost no attention at all to the economics of agriculture.

Now all that has changed. Food and farmers are front page news around the world today. Suddenly, the public is reawakening to the fact that agriculture is the economic backbone of our nation. And farmers in Iowa are pacesetters in determining the growth rate and business cycles of our vast, national agricultural plant.

Last year, Iowa farmers led the nation in cash receipts from livestock, despite the many problems that beset that sector of agriculture. Cash receipts from livestock to Iowa farmers totaled \$3.7 billion, with \$1.5 billion coming from the sale of hogs. Iowa farmers sold more than \$2 billion worth of corn to lead the nation in that commodity. Total cash receipts from farming brought Iowa farmers a whopping \$7.2 billion in 1974.

However, the capacity to produce is only one part of agriculture. In order for farmers to use their land, machinery, labor and other capital inputs efficiently they must produce farm commodities far in excess of the demand of U.S. consumers. So we need export markets; and we have them.

Address by Secretary of Agriculture Earl L. Butz before the Iowa Bankers Association Annual Convention Agricultural Breakfast, Veteran's Auditorium, Des Moines, Iowa, October 27, 1975 at 8:00 a.m.

In December it will be four years since I was sworn in as Secretary of Agriculture. At that time there was general disbelief when I expressed the firm belief that the American farmer could produce for markets without Governmental props. Look at the facts.

Today, we are exporting two-thirds of our wheat, one-fifth of our corn, and about half our soybeans -- and these crops of wheat and soybeans are 32 percent and 25 percent larger than in 1971. We're selling on both domestic and world markets for cash. Farmers are coming off the highest three years of net farm income in the history of agriculture.

Total U.S. farm exports in fiscal year 1975, ending last June 30, were nearly \$22 billion. We expect them to exceed \$22 billion this fiscal year.

Last year, Iowa's share of total farm exports was nearly \$1.8 billion, second in the nation only to Illinois which received \$1.9 billion. Big money earners in Iowa exports were: feed grains - \$738 million; soybeans - \$561 million; and protein meal - \$182 million. Other major exports included soybean oil, meat products, and hides and skins.

Today, the tremendous productive capacity of U.S. farmers is geared toward meeting the growing commercial demand abroad for agricultural commodities, particularly for feed grains. The heaviest demand comes, of course, from the developed countries. But demand is growing in those less-developed nations where economic growth is proceeding most rapidly.

The benefits to American farmers are obvious. Agriculture now gets almost one-fourth of its marketing income from exports, and ships about one-fifth of its production overseas.

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Not so obvious are other major benefits. For example, prior to the turnaround in our national agricultural policy we had farm programs that artificially bolstered farm income through payments to farmers. At that time, taxpayers were paying farmers \$4 billion a year to limit their production.

Today, the Government storehouses are empty. I want them to stay that way. The Department of Agriculture is no longer in competition with farmers. Export sales are made through normal channels of trade, pumping more dollars into the national economy to battle recession and unemployment.

It is estimated that every additional billion dollars in farm export sales creates 50,000 regular jobs for American workmen.

American consumers benefit directly from expanded foreign markets, because the expanded production required to meet export demand results in lower per-unit costs of food ingredients.

Farm exports make a highly significant contribution to this nation's balance of trade. Last year's \$12 billion net surplus in the agricultural trade was a marked contrast with the deficit in the nation's non-agricultural trade. More than 90 percent of the grain moving into export is commercial trade, not aid.

Some people have contended that farmers can't operate successfully unless the Government is a partner in their operation. I think the record of the past four years proves otherwise.

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First of all, we're not living in the same world we did 30 or 40 years ago. Today there is a worldwide demand for American corn and soybeans and wheat. Incomes around the world are still increasing. As developed nations move to upgrade the diets of their people, and the less-developed nations begin to shift their dietary and nutritional standards to include more meat and animal protein foods, farmers in Iowa and throughout middle-America face an opportunity unparalleled in this century.

The proper role of the federal government in these times is to make sure that U.S. farmers have access to markets around the world, and that U.S. farmers' interests in those markets are protected in an atmosphere of free competition.

These things are not easy. They take time. Weather and other factors are not always easy to predict. Sometimes our national interests get in the way of our economic interests.

Last week we concluded a five-year grain agreement with the Soviet Union which guarantees U.S. producers a steady market for six to eight million metric tons of corn and wheat a year in about equal amounts of each.

Some people, including some of my friends in major organizations, oppose this agreement. They've said it puts a lid on the amount of grain U.S. farmers can sell in the Soviet Union and gets the government involved in bilateral trade agreements.

I remind my friends, when they tell me this, that they were not all happy when the Soviets moved swiftly and without advance warning to buy up large quantities of U.S. grain. Neither were American consumers happy.

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Many interpreted the Soviet action as: 1) a move toward higher food costs; and 2) a windfall for farmers and traders. Neither were many members of Congress happy, some of whom wanted the government to take over the trading. In all, the erratic nature of the Soviet purchases were forcing us into undesirable decisions.

The new five-year purchase plan, which does not go into effect until October, 1976, allows U.S. farmers to plan ahead. They can produce their crop and sell it at the time which is best for them. Regardless of when they sell, they know that 225 to 300 million bushels of grain are going to the Soviet Union sometime during the marketing year. It regularizes the long-term nature of the Soviet purchases, removes the emotion and hysteria, and helps us build markets.

Planning ahead is part of the new look globally in agriculture.

The World Food Conference of November 1974 stressed the need to distribute food more efficiently. The Conference called for elimination of barriers and trade restrictions.

The United States is pursuing trade liberalization. At the same time we are trying to build markets for U.S. agricultural products.

Our agreement with Japan is an informal "good faith" understanding based on a policy that the buyer should have confidence in the United States as a reliable supplier; and that American farmers operating in a free market can have some assurance of the size of the market before they plant their crops.

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As good bankers, I'm sure you readily perceive the positive benefits of a trading partner like the USSR buying U.S. grain or other commodities on an evenly spaced-out basis for the next five years -- at prevailing market prices, and through normal commercial trade channels.

Next month I will go to Rome to attend the 1975 World Food Conference. At that time we will review what has been accomplished during the past year.

The World Food Conference last year set a target of 10 million tons of grain for overall food aid commitments for 1975 and thereafter. We stepped up our P.L. 480 exports from 3.3 million tons in fiscal 1974 to about 4.7 million tons for fiscal 1975. The level will probably go to about 6 million tons in fiscal 1976. This amounts to about 60 percent of the World Food Conference target.

The United States will continue to carry major world responsibilities for short-term food assistance. But we will assiduously avoid allowing any recipient country to become totally dependent on the generosity of U.S. farmers. We will insist on food aid being geared in with other aid policies and programs to promote unified, forward-looking development, and to avoid undermining production incentives to farmers.

We have proposed establishment of a global reserve of 30 million tons of wheat and rice. Responsibility for holding reserves would be shared equitably among participating nations. Each country would be free to determine how its reserves would be maintained and what measures would be required for their acquisition and release.

However, the key to long-range world food security lies in bringing population growth under control and increasing the productivity of the individual farmer.

In the United States, the growth of farm productivity is best maintained by removing the restraints on agricultural production and turning farmers loose to produce. We have proved that. Elimination of government interference and control allows farmers to respond directly to market forces. It works here. It will work in other countries, too.

The conscious policy of increased productivity per farmer makes a lot more economic sense than viewing food problems of the world from a standpoint of distributing scarcity. It's a far more Christian attitude in the long run, too.

Some people criticize farmers because they've made a little money in the past three or four years. Instead of criticizing them, the nation should pat them on the back. They're in business to make enough money so that they can keep the agricultural plant of this nation efficient, productive and responsive.

Some of the people who are now criticizing \$60 hogs were strangely silent when hogs were selling for \$27 per hundredweight three years ago.

Some people watching cattle feeders in Iowa make a little money recently were strangely silent when farmers were losing up to \$100 a head for every steer they put in the feedlot.

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Farmers are like bankers. If you don't make a little money on your investments, you shift your investments someplace else. That's what the hog farmer did two years ago. When the farm price of hogs fell below the cost of production, the farmer got the signal that consumers didn't want as many pork chops and pork roasts. They cut back on hogs.

The same is true of the cattle feeder. Unless there is some profit in feeding cattle, farmers and feeders will invest their money in something else.

We need to work together to help raise the level of economic literacy in America. Consumers who want to put a ceiling on food prices should recognize that with the ceiling must also come a floor which will be at a high enough level to assure profits to the producer. Otherwise there will be no production.

By the same token, farmers who insist on having a high floor under farm prices to prevent any loss should recognize that customers will insist on a ceiling to prevent the \$60 hog. You can't have it both ways.

Looking ahead to the opportunities for agriculture, the demand for food throughout the world should continue to grow rapidly, fueled both by population and income growth.

In the developed countries we expect rising incomes to spur the demand for feed grains as people show their preference for eating more meat and dairy products. Correspondingly, the per-capita demand for food grains such as wheat and rice will probably level off. If this projection is correct, it opens wide the door of opportunity for Iowa farmers who are blessed above nearly all others in the land with the soil, climate, technology and managerial skills to meet demands for corn and soybeans.

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Iowa farmers should be able to boost their output even more than they have in the past. Yield increases will come from wider use and application of the technology that has already boosted yields in the past decade. Hybrid seed, increased use of fertilizer and irrigation, improved machines, narrower rows and higher plant population per acre, chemical weed control, continuous cropping and other practices make it possible now for top producers to routinely get yields much higher than the national average.

Iowa bankers will be called on to play an important role in helping farmers meet their agricultural challenges. The kind of agriculture we're talking about calls for heavy financial commitment. Farmers will continue to make that commitment, with your assistance, as long as agriculture remains unhampered by rigid government controls and farmers have the chance to earn a profit.

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"BOUNTIFUL HARVEST: THE HOPE FOR PEACE"

Much of the world's turmoil can be traced to man's quest for food, the quest for land on which to grow that food. It's been said that you can reconstruct any nation's history, its ups and downs, by following its attempts at land reform, its bickering over how to divide the spoils of the earth.

Increasing food production during the next twenty-five years will be man's greatest test. Potential food shortages within a quarter-century could serve as the catalyst for man's final act of self-destruction. The way in which we view agricultural production today, the priorities the world places on food, will hold the answers.

I for one believe the human race will solve its food production problems and hopefully stabilize its population in the remaining few decades left to do so. But those are high hopes which can come only with wisdom and action, not folly and talk.

Even from the beginning, food has held the key in man's earthly story. Eve ate the apple; Adam became a farmer.

Our oldest histories tell us of the struggles between the nomadic peoples who grazed livestock, and the sedentary tribes who raised crops.

The struggle over grazing rights provided us with the great legends of our own West. The battles between ranchers and sheepherders. The wars between cattlemen and homesteaders. Even before that, most of the trouble among the North American Indians came when one tribe encroached upon another's hunting grounds.

Address by Secretary of Agriculture Earl L. Butz before the Economic Club of Chicago at the Palmer House, Chicago, Illinois, December 9, 1975
at 8:10 p.m.

Colonial empires were often built on the basis of gaining raw materials, usually food, for the Motherland. America itself was discovered in the search for a shorter trade route to the Far Eastern land of spices and tea. In our development days, many of the European loans which helped build this country were paid off with shipments of grains and tobacco.

When Hitler began his drive which touched off World War II his cry was, "Lebensraum" -- living space, productive land.

Twenty-five years ago the foundations of today's European Community were laid as a noble effort to "debalkanize" Europe. But in practice the chief thing that holds it together today is its Common Agricultural Policy.

National and international politics often center on food. The United States itself has supplied \$25 billion of food aid to other countries in the last two decades -- mainly for humanitarian purposes, but sometimes also to help bring political stability.

The World Food Conference in Rome a year ago was called to deal with the impending food shortages. When the discussions began, most of the representatives turned their interests to short-term emergency food distribution, rather than planning for increased food production in the future.

But in concentrating on emergency distribution and plans for future reserves, the point was missed that, unless production is increased, there will soon be little emergency food to distribute.

In summary, food is perhaps the most potentially explosive factor in the internal politics of over half of the nations of the world today.

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We are now face-to-face with the fact that the world's Number One problem is how to feed 80 percent more people in the next quarter-century. Or, put it another way, "allow for slight improvement in individual diets and the job becomes one of learning in the next 25 years how to feed as many more people as we've learned to feed since the dawn of history."

This is a frightening prospect. It is one to which the world must address itself seriously -- and quickly.

We must find the answers at a time when there is no new Western Hemisphere to discover, no new prairie sods to plow, no more virgin woods in temperate climates to clear and convert into farmland.

Indeed, we must double food production at a time when most nations are losing arable land to urban sprawl, highway construction, and recreation.

Demographers predict that by the year 2000 earth's human population will be 6.5 to 7.0 billion, compared with 3.8 billion today.

Can we feed those 7 billion people 25 years from now?

The answer is simple. Yes, we can -- or they won't be here.

The question is not can we feed them, but can we feed them well. For that part of the world's population that goes to bed hungry most nights, can we make eating an exciting experience? Can we make eating something more than a mere exercise in sustaining a spark of life inside an emaciated body?

Can we produce and distribute enough food to generate the sort of happiness and satisfaction that will promote international political tranquility?

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The answer to all these questions is a resounding yes:

- if we continue to incorporate the latest and best technological advances into our agriculture;
- if we continue with a program of intensive and far-reaching agricultural research;
- if we continue to develop new sources of fertilizers and use them wisely;
- if we continue to develop new types of pesticides and use them wisely;
- if we maintain a viable system of credit to provide the massive capitalization required for intensive agricultural production;
- if we continue to hold together a system of individual freedom and incentives that reach each and every farmer willing to strive for them.

Those qualifications apply mainly to agriculture in the developed world. But many other countries will need these things and more -- if they are to develop into viable agricultural producers capable of sustaining their own populations.

The United States alone cannot feed the world -- no matter how productive we are. It's possible to expand our farm production by a goodly degree, but not enough to serve the explosive food needs of all the world.

Already we are carrying a sizeable portion of the load. This year we will export approximately 100 million tons of grain (including soybeans and rice) to other countries. We will supply about 55 percent of all the feed grains that move in world trade, 50 percent of the wheat, and about 70 percent of the soybeans.

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Even if we could double our contribution to world food trade in the next 25 years, we could not take up the slack.

Agricultural production must be increased in the indigenous areas where it will be consumed; that's about 90 percent of the production.

The main avenues for agricultural gains are:

(1) continued emphasis on research and development, and application of new techniques and farming techniques; and (2) the strengthening and extension of incentive systems for the man on the land.

The first will not be too difficult. Modern technology is transferable; research results can cross oceans and mountains overnight. Scientific developments that have taken 20 years to perfect can be transported to other countries in months.

But the strengthening of incentive systems for the farmer is far more difficult. Yet it is just as crucial. Too often we have believed that the road to more food for the developing countries is paved only with technology and science. Yet those techniques, when transplanted, have sometimes withered on the vine, almost before our own technicians could get out of the field.

Why?

Was it because the local farmer was illiterate? Was it simply because he was hung up with old ways and didn't want to change?

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NO! It was often because there was no real incentive for him to take the risk to change. Talk is cheap. Explanations with no cash behind them are disposable; people have been telling the farmer in the developing nations how much better he should do things for years--but too infrequently has this created an economic environment with good prospects for increasing his real income.

Too few national governments have made the commitment to assure that changes in techniques would provide real incentives to the individual farmer.

If a farmer in a developing nation can see how a change will bring a profit, he'll change in a hurry. Farmers in India and Pakistan who had a chance to profit by planting the new varieties of wheat switched faster than our own farmers first accepted hybrid corn. Farmers in the Philippines made the same high-speed switch to new high-yielding rice varieties once they saw the returns they could get.

Too many nations, including our own, have an underlying, but powerful urge to pursue a cheap food policy -- making it difficult for the man on the land to reap the reward from the innovations he makes.

Consumers the world around welcome such a cheap food policy -- and politicians respond, whether they're capitalist or communist. As nations become less agricultural and more urban, the incentive base for the farmer becomes less certain. It becomes more susceptible to political pressures and special interest dealings.

Incentive is as important for the farmer who farms with a forked stick behind a water buffalo in India as it is to the man who rides a \$35,000 tractor in Iowa. Yet politicians often fail to perceive this simple fact.

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Even in the highly literate nation of our own, we have seen repeated attacks on the incentive system for farmers. We have had such campaigns as the beef boycott, eat one less hamburger per week, or Meatless Tuesdays. It has only been two years since political pressures forced us into a system of federally imposed price ceilings on meats and other food products.

It has been less than two years since the American Bakers Association whipped up a scare campaign that bread would go to a dollar a loaf unless we imposed export controls on wheat.

It's been less than 6 months since an emotional reaction to the sale of grain to the Soviets induced a suspension of sales -- in spite of record harvests.

It's been less than four months since the longshoremen refused to load Gulf port grain that was destined for Russia -- on the pretext of keeping living costs under control -- while they did some fancy contract maneuvering of their own.

While the motive for each of these examples may have varied, the net result was the same. It sent back the signal to producers that we were a nation which would interfere with farmers' access to a free market. It sent back a signal that the farmer should exercise caution in making yield-increasing investments in fertilizer, chemicals, seeds or machinery. It sent back a signal to some would-be young farmers that they are really thinking about the wrong vocation. It sent back a signal to some investors that agriculture really isn't too good a place to put their capital. It sent back a signal to some farm families that opportunities for satisfactory living might be better somewhere else, in some business where there was less danger of restraint on seeking and serving available markets.

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The sad part is that these negative signals, these arbitrary restraints, didn't happen in some distant land. They didn't happen in a dictatorial society. They didn't happen in a Communist State. They didn't happen under a government dedicated to suppression of human rights. They didn't happen under a political system based almost completely on central planning.

They happened in the United States.

They happened in the world's greatest democracy. They happened in a nation whose hallmark is freedom of choice and freedom of action.

They happened in a nation whose level of economic literacy is perhaps the highest in the world. They happened in a country where the legislative body reputedly reflects the will of the people better than in any other nation.

Now we must ask, have we learned our lesson from taking those negative acts? Have we learned that if the United States is indeed to use its great food productive capacity, then the individual farmer must be free to produce and market his crops as he sees fit?

We must not dampen the incentives that have made our farmers the producers that they are. We must not signal to them in the language of price -- the language they understand best -- that we want less, not more.

We must not periodically signal to our farmers that they have only limited access to markets beyond their shores. We must not periodically throw governmental controls at them that dampen their plans for investment, their dreams of expansion, their hopes for success.

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Our nation -- and indeed every nation of the world -- must make the commitment to move agriculture and food production to the front burner. It must be moved higher on the scale of priorities in both national policy and in capital allocation.

To do less will be to condemn hundreds of millions of people to such a substandard level of living in a few years that peace will be difficult, if not impossible.

There are various estimates about the number of people who already go to bed hungry or malnourished each night. Today, in a world of instant communications and far-reaching mobility, hungry people have power. They have the power to topple governments; they have the power to start revolutions.

Hungry people will, in time, no longer remain invisible or silent. No matter how remote their village, they now hear of the outside world on transistor radios. Many of them see movies. They see affluent travelers from North America, Europe and Japan. They now realize that a better life is indeed possible. Increasingly they will not settle for less. They see a ballet of affluence dancing all around them -- and they dream of a piece of the action.

Hunger is the stuff out of which revolution is born. And revolutions, once started, have a tendency to spread. They are like a pebble dropped into the pond; there is no way of knowing where the ripple will hit the shore.

The oceans on either side of us are no insulation. Four times in the generation of many of us in this room, the United States has been drawn into conflict away from our shores. There is no way we can avoid it the next time.

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That is why this nation's agriculture now commands such a strategic position. Other nations may have Petro-power, but we have Agri-power -- and we have it in abundance. It is to our door that nation after nation will beat the path for food, and for the know-how to grow better food.

To the extent that we can respond to those needs, we will lay the foundations of peace.

America must help the world learn to grow food. We must use our Agri-power wisely and with strength. We must do these things not because we are a humanitarian nation, not because we are a Christian nation, not because we are a generous people -- but just because we are Americans.

In the years ahead, it will be impossible for the United States to exist as an Isle of Affluence in a Sea of Human Misery.

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Statement of the Honorable Earl L. Butz
Secretary of Agriculture
before the
Senate Committee on Commerce
December 12, 1975

Mr. Chairman, I welcome the opportunity to appear before the Committee, and to discuss a subject of increasing importance to American farmers. The growth of trade between East and West is, in fact, an agricultural subject since more than 70 percent of all U.S. exports to the Communist countries consist of farm products.

Moreover, it is plain that agricultural trade will continue to be crucial to economic and political relations between East and West. Events of this year bear that out. We are seeing:

- * The purchase by the Soviet Union of 13 million tons of U.S. grains thus far and a 5-year agreement regarding future purchases.
- * A four-fold increase in grain sales to Eastern Europe and a doubling in the total value of U.S. exports to that area.
- * A 160-percent growth in sales to Communist areas as a whole, despite a falloff in shipments to the People's Republic of China.
- * Prospects for continued imports of grains and proteins as Communist governments move to raise the living levels of their people.

During the last half of November, I had the opportunity to visit four countries of Eastern Europe -- Yugoslavia, Romania, Hungary and Poland. In all of these countries we met with high government officials.

My single overriding impression was of the commitment that leaders of those countries are making to an improvement in goods available to consumers. If "consumerism" is a factor in American politics -- and of course it is -- it is also an element in the politics of the Soviet Union and the nations of Eastern Europe. Even in the most tightly-controlled economies, there is evidence at the highest levels of new policies aimed at raising the level of consumer satisfaction.

This is certainly evident in efforts to expand production of animal products. In Hungary, we saw a poultry plant that produces 200 million baby chicks a year. In Yugoslavia, we saw an enormous cooperative farm which, among other things, is milking more than 20,000 cows. Romania has a hog complex that turns out 35,000 finished hogs a year.

In Poland, I was quite impressed with the improvement in consumer goods available since I visited that country 12 years ago. Grocery shelves are better stocked, and the waiting time for a new car or a new apartment has been greatly reduced. Still, supplies fall short of the improvement in incomes, and the Polish Government is working to make more goods available, especially food.

As these countries expand their animal agricultures, many of their leaders speak of becoming self-sufficient in feed grains. Personally, I doubt their ability to do this. As for proteins, they have no serious thought that they can meet their own needs in the years ahead. This has implications for American farmers.

In Bucharest, Angelo Miculescu, Vice Premier and Minister of Agriculture, said to me: "You have something more powerful than the atomic bomb -- you have soya." This was the comment from a man who knows the United States and is intimately involved in the Romanians' effort to increase production of animal products. We spent two days with him, much of the time actually on farms.

Obviously the farms shown to visitors in Romania and other Eastern countries are not typical -- they tend to be showplaces. Nevertheless, there is definitely a public drive to expand consumer goods -- in particular high quality foods. Increased trade with the West -- and the nature of that trade -- bears that out.

In recent years the United States has exported to Eastern Europe about a million tons of soybeans a year, mostly in the form of meal since crushing facilities are limited in that part of the world. This year, East European nations have also boosted their import of U.S. grains, due in part to the failure of supplies they formerly brought in from the Soviet Union.

In fiscal 1976, U.S. grain exports to Eastern Europe are expected to include 3.2 million tons to Poland, 2.8 million tons to East Germany, and 1.2 million tons to Romania. This total of

7.2 million tons is quadruple the amount we shipped to those three countries last year.

The Soviet Union, meanwhile, has now ordered some 13 million tons of U.S. wheat and feed grains -- out of around 25 million tons purchased in the world market against its 1975 crop shortfall. The extremely poor USSR harvest is causing liquidation of Soviet pig and poultry numbers and will probably cause further cutbacks in their herds and flocks this winter and spring.

So this is hardly a typical year in East-West trade. At the same time, the factors that make it atypical are also present in normal years -- in less extreme form. Specifically, those countries are unable to produce enough feedstuffs to meet food production goals. U.S. farm products should continue to account for a large proportion of our trade with those countries.

In the last 3 years, U.S. exports to Eastern Europe and the USSR have in each case been more than two-thirds agricultural. Exports to the People's Republic of China have been 80 percent agricultural. For the last three years in total, farm product exports made up 70 percent of all U.S. exports to all Communist areas. The percentage will be about the same in fiscal 1976.

For fiscal 1976, we are estimating sales to the Communist areas at \$3.2 billion -- made up mostly of \$2.1 billion to the USSR and \$1.1 billion to Eastern Europe. It appears that exports to the PRC will be negligible due to a likely record harvest there, a serious problem with foreign exchange, and world recession that has reduced markets for textiles produced in China.

U.S. farm product sales of \$3.2 billion to the Communist countries compare with \$1.2 billion last year, \$1.9 billion the year before that, and \$1.3 billion in fiscal 1973 -- the year of the first large grain sales to the Soviet Union. In earlier years, total farm product sales to those areas never exceeded \$300 million.

Thanks to this \$2 billion gain in sales to Communist countries, we are estimating our total farm exports this fiscal year at \$22.7 billion. Sales to Western Europe -- at \$6.8 billion -- are off by \$400 million from last year. Exports to Asian countries other than the People's Republic of China will be about steady with last year at \$8.1 billion. Exports to Canada, Oceania, and Africa are little changed. Exports to Latin America are off substantially.

Without this growth of \$2 billion to Communist countries, we would experience an actual decline in our total overseas sales this year. We could ill afford this in a year of abundant supplies --- a year in which American farmers are planting without restrictions for the coming season. U.S. farmers need a continuing growth in exports to the Communist countries -- as well as to other parts of the world.

If we are to achieve this, we must not lose sight of the importance of trade as a two-way proposition. We have a considerable positive trade balance with the Communist countries -- over \$1.2 billion last year. Those countries must be able to sell their products in the West if they are to buy in the West.

A reasonable opportunity to export their products to the United States is certainly basic to growth in East-West trade.

Another element is credit. Without exception, the East European leaders I talked with last month raised the question of CCC export credit. We face a number of restrictions on the use of this credit, as well as a limitation on the total credit we can offer world-wide.

CCC credit is tied to commercial rates. CCC credit is in demand in Eastern Europe because it is available on 3-year terms, while commercial credit is usually on shorter terms. Moreover, I believe that each of our customers abroad wants to feel that he has equal access to export services available to other customers in like financial situations. I suspect this attitude extends to other U.S. Government programs as well as to credit offered through the Commodity Credit Corporation.

Mr. Chairman, I thank you again for the opportunity to meet with you. If there are questions, I will be pleased to address myself to them.

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